SAVING TAXPAYER DOLLARS IN FEDERAL REAL ESTATE: REDUCING THE GOVERNMENT'S SPACE FOOTPRINT

(114–22)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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CONTENTS

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June 12, 2015

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM:	Staff, Subcommittee on Economic Development, Public Buildings, and Emergency Management
RE:	Legislative Hearing on "Saving Taxpayer Dollars in Federal Real Estate: Reducing the Government's Space Footprint"

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will hold a hearing on Tuesday, June 16, 2015, at 1:00 p.m.in 2167 Rayburn House Office Building to examine the issue of underutilized and vacant federal properties, costs to the taxpayer, challenges to selling or disposing of unneeded real property, and methods by which the federal government can reduce its space footprint and save taxpayer dollars by addressing those challenges.

BACKGROUND

Reducing the Real Estate Footprint

Both the Committee and the Administration have been working to reduce the costs of office space by improving the space utilization rates of agencies and reducing their real estate footprint. Large real estate acquisitions, over $2.85 million annually, must be authorized by the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works. Since the beginning of last Congress, through efforts to get the General Services Administration's (GSA) tenant agencies to improve their space utilization, the Committee has authorized projects that will potentially result in up to $2.5 billion in savings to the taxpayer through lease cost avoidance, reduction of previously-authorized projects, and consolidations.

The Administration has also issued directives to reduce the amount of real estate used by federal agencies. On June 10, 2010, the Administration issued a memorandum directing agencies to accelerate efforts to identify and eliminate excess properties. On March 14, 2013, the Office of Management and Budget (OMB) issued a Management Procedures Memorandum prohibiting agencies from increasing the total square footage of their domestic office and warehouse inventory compared to their fiscal year 2012 baseline -- in effect requiring agencies to freeze

their federal real property footprint. More recently, on March 25, 2015, OMB issued a directive for agencies to reduce their office and warehouse space by aggressively disposing of properties and making more efficient use of space. At the same time, the Administration released the *National Strategy for the Efficient Use of Real Property,* which proposed a five-year, three-step strategy to improve the efficiency and cost-effectiveness of federal real estate. The three step approach includes freezing the footprint, improving the quality of data to more accurately analyze and measure opportunities, and reducing the footprint through accelerated disposals and improved space utilization.

Opportunities to Reduce Costs

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities, where it remains today. Among the reasons GAO lists federal real property as high risk is "excess and underutilized real property" and "unreliable property data." While significant attention has been paid to addressing these issues, GAO noted in its most recent "High Risk series" report that, "the federal government continues to maintain too much excess and underutilized property."[1]

The high risk activities related to federal real property are significant; however, consistent and accurate data continues to be a challenge in measuring the full costs to the taxpayer. Considerable amounts of vacant or underperforming real estate assets can translate into significant costs associated with the operation, maintenance, and security.

Domestically, the federal government owns more than 254,000 buildings[2] comprising a total of 2.5 billion square feet of space with an annual operating cost of $14.4 billion.[3] The total amount of real estate space underutilized or vacant has not been accurately ascertained likely due in large measure to poor data and inconsistent reporting requirements.[4] For example, in fiscal year 2009, the number of underutilized buildings was 45,190, comprising 341 million square feet of space costing $1.66 billion.[5] However, in fiscal year 2010, there were 77,000 buildings comprising 490 million square feet listed as underutilized or vacant, costing $1.66 billion annually.[6] While those were global numbers (domestic and non-domestic), in the most recent Federal Real Property Summary Data Set, which accounts for only domestic properties, 5,000 buildings are listed as underutilized or vacant; however, the report on whether properties are being fully utilized or not does not include all property categories and reflects only 43 percent of the total buildings. The same fiscal year 2014 Data Set lists 31,465 "assets" as not currently

[1] *GAO High Risk Series*, GAO-15-290 (2015), p. 135.
[2] This figure excludes land and 477,000 structures, costing $7.8 billion annually, such as utility systems, roads and bridges, and parking structures.
[3] FY 2014 Federal Real Property Profile Summary Open Data Set.
[4] *See Federal Real Property: Excess and Underutilized Property in an Ongoing Challenge*, GAO-13-573T (April 2013); *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, GAO-15-41 (November 2014).
[5] *Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings*, GAO-11-370T, (February 2011).
[6] *FY 2010 Federal Real Property Report, Federal Real Property Council*, p. 6. *See* also *Disposal of Unneeded Federal Buildings: Legislative Proposals in the 112th Congress*, Congressional Research Service, August 6, 2012.

needed, including buildings and structures. GAO had confirmed that some of its previously reported data on the costs associated with maintaining excess or underutilized properties and the total may be unreliable due to poor reporting procedures by several federal agencies. OMB has recently developed new metrics for the Federal Real Property Profile to produce more uniform and reliable data on real property.

Hurdles to Reducing the Real Estate Footprint

Over the years, the issue of getting federal agencies to sell or dispose of underutilized and unneeded properties has been a focus of GAO investigations, congressional hearings, and actions by administrations. Various hurdles to disposing of properties have been identified, including:

- Upfront costs to agencies – Preparing the properties for disposal costs money. For example, there are costs related to surveys, environmental assessments, and cleanup.
- Cumbersome disposal process – The current disposal process can be cumbersome and time-consuming, particularly for larger, more valuable assets, creating a disincentive for agencies to dispose of unneeded properties.
- Land-banking of high value assets – Either as a result of the costs, disposal process, or because an agency believes it may require space at some unspecified point in the future, agencies may hold on to higher value assets. One example is the Cotton Annex in Washington, D.C., that sat vacant for years, pending a potential need or use for the property.
- Real estate activities may be required – Many valuable properties used by agencies may be underutilized; however, in order to make properties available for sale or disposition, money may be needed to relocate, consolidate, or acquire space to move the agency operations.
- Poor data and property management – Agencies may not maintain accurate data about their properties and space utilization, making it more difficult to identify properties available for disposal.[7] In addition, agencies may not be in a position to determine if use of the property is optimized. For example, if a small government building sits in a larger, valuable plot of land, the building itself may be fully utilized, but the property underutilized, and may provide more value to the taxpayer if sold and the agency consolidated into other space.
- Prioritization – Other than the GSA, property management is not a part of the core mission of most agencies, and, as such, working to identify and make available underutilized properties may not a priority.

Legislative Proposals

There have been various administrative and legislative proposals over the years to overcome the hurdles identified. In recent years, both the Administration and various Members of Congress have put forward proposals. In 2011, the Administration issued proposed legislation, entitled the Civilian Property Realignment Act, to sell or dispose of unneeded properties through a pilot program. The Administration's proposal would have established an independent

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[7] *Federal Real Property: Better Guidance and More Reliable Data Needed to Improve Management*, GAO-14-757T (July 2014).

commission to review properties government-wide and develop a block of recommendations that would go into effect unless disapproved by Congress. At the time, Congressman Jeff Denham introduced similar legislation. Also, in 2011, Chairman Jason Chaffetz of the Oversight and Government Reform Committee introduced the Excess Federal Building and Property Disposal Act, which would have established a pilot program to create an expedited disposal process and directed OMB and GSA to identify high value properties to be disposed of through that process.

CONCLUSION

The hearing will focus on the scope of the problem of underutilized and vacant properties, challenges that need to be overcome to address the problem, and possible solutions.

WITNESS LIST

The Honorable Jeff Denham
Chairman, Subcommittee on Railroads, Pipelines, and Hazardous Materials
Committee on Transportation and Infrastructure

The Honorable Jason Chaffetz
Chairman, Oversight and Government Reform

The Honorable David Mader
Controller
Office of Management and Budget

Mr. David J. Wise
Director, Physical Infrastructure Team
U.S. Government Accountability Office

Mr. Norman Dong
Commissioner
Public Buildings Service
U.S. General Services Administration

Maria Foscarinis
Executive Director
National Law Center on Homelessness and Poverty

SAVING TAXPAYER DOLLARS IN FEDERAL REAL ESTATE: REDUCING THE GOVERNMENT'S SPACE FOOTPRINT

TUESDAY, JUNE 16, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:05 p.m. in room 2167, Rayburn House Office Building, Hon. Lou Barletta (Chairman of the subcommittee) presiding.

Mr. BARLETTA. The committee will come to order. The purpose of today's hearing is to explore how we can save billions of dollars by shrinking our Federal real estate footprint. I think we have a tremendous opportunity this year to come up with a bipartisan bill that gains the support of the House, the Senate, and the President. We have the same goal: to get excess and underutilized properties out of the hands of Government and onto the local tax rolls or local service providers. This can be a win-win solution for the taxpayer, local governments, and homeless assistance providers.

First let me thank Chairman Chaffetz of the Committee on Oversight and Government Reform for working closely with this committee on this important issue. He planned to be here to testify, but, unfortunately, was called at the last minute to work on another crucial issue. Without objection, I would like to submit his written statement for the record.

[No response.]

Mr. BARLETTA. I also want to thank Chairman Denham for his work and leadership on this issue. And, finally, I want to thank all of our witnesses and particularly OMB [Office of Management and Budget] Controller Mader for being here today.

We know reducing the Federal real estate footprint is a critical issue and can result in real and significant savings for the taxpayer. For example, since the beginning of last Congress, our committee has saved more than $2.5 billion by approving leases and other projects that reduce and consolidate space. That was no small feat, and it took this committee, working with GSA [General Services Administration] and OMB, to realize those savings.

Our subcommittee has hosted a series of roundtables, working with GSA, to send the message of optimizing space and replacing expiring leases with good, long-term deals. In some ways, the leased side of Federal real estate is easier to address. When leases

expire, an opportunity is created to reduce space and negotiate good lease deals to lower costs. And, with 100 million square feet of leased space expiring in the next 5 years—50 percent of GSA's leased inventory—the opportunity for taxpayer savings is huge. In light of that, I recently introduced the Public Buildings Reform and Savings Act, which will create a leasing pilot program GSA can use to cut the best deals for the taxpayer.

Today, however, we are focusing on a much more difficult problem: getting rid of Federal real estate we no longer need. According to the most recent Federal Real Property Summary, the Government owns more than 254,000 buildings, comprising 2.5 billion square feet of space, costing the taxpayer $14.4 billion annually. However, we are also told in the same summary that only 5,000 buildings are actually underutilized, despite the fact that 27,000 assets are labeled as "inactive." It is clear the data needs improving, but it is also clear, based on work by GAO [Government Accountability Office] and others, that there are a lot of vacant or underutilized buildings across the Nation that go unreported.

We don't have to look far to see prime examples of this right here in Washington. Just down the street sits the vacant Cotton Annex on land worth more than $100 million. On Pennsylvania Avenue it took more than a decade and an act of Congress to turn the money-losing Old Post Office building into a profit center for the taxpayer. The West Heating Plant in Georgetown sat vacant for more than a decade, and it wasn't until this committee shined a spotlight on it that GSA finally sold it for almost $20 million.

When these properties sit vacant or underutilized, no one wins. The agencies and taxpayer pay to maintain them, no tax dollars are infused into the local economies, and they are not made available for sale or even screened for other purposes, such as to serve the homeless. Previous estimates indicate we are wasting more than $1.6 billion a year on these properties, but if GAO reports are any indication, this is probably a low estimate.

Today we hope to hear from our witnesses what is the scope of the problem, what are the obstacles to reducing the real estate footprint, and how do we overcome those hurdles. A few challenges we have seen include upfront costs to make properties available, including money to move people out of underutilized buildings, land-banking—agencies holding on to valuable but vacant properties, because they think someday they will need them—and a disposal process that is cumbersome, time-consuming, and keeps properties from being sold. Chairman Chaffetz and Chairman Denham in the past have each offered proposals to address these issues, and I am pleased to see them working together on this issue.

The administration proposed legislation in 2011 and reiterated the importance of that legislation in the fiscal year 2016 budget. In fact, in the fiscal year 2016 budget, the administration states that, despite the progress made through efforts like Freeze the Footprint, an independent board would allow us to achieve long-desired opportunities for reform and deficit reduction.

I want to again thank all the witnesses here today. We have a great opportunity to finally get a bipartisan bill through Congress and address this longstanding problem.

I understand we have some Members who sit on our full committee who may want to participate in today's hearing. I ask unanimous consent that Members not on the subcommittee be permitted to sit with the subcommittee at today's hearing, offer testimony, and ask questions.

[No response.]

Mr. BARLETTA. Without objection, so ordered. Thank you.

I now call on the ranking member of the subcommittee, Mr. Carson, for his opening statement.

Mr. CARSON. Thank you, Chairman Barletta. Welcome to this afternoon's hearing. Today we will examine the GSA's implementation of the administration's policy on restraining the growth of the Federal real estate footprint. We will also look at possible impediments to improving these efforts.

In 2003, the GAO placed real property management on its list of high-risk governmental activities, where it remains today. Both this committee and GAO have repeatedly expressed serious concerns about how Federal real property has been managed. I am pleased, therefore, that the administration has made a concerted effort to right-size the Federal real estate portfolio.

First, the Office of Management and Budget—OMB—issued a memorandum requiring all Federal agencies to freeze their Federal real estate footprints.

Secondly, the administration proposed legislation to create a board that would operate similar to the Base Closure and Realignment Commission, or BRAC, to expedite the sale of underutilized and excess properties.

Thirdly, the administration has released further guidance that Federal agencies should reduce their footprint. It has been very clear that the administration is serious about addressing these high-risk activities.

However, the CBO [Congressional Budget Office] and various former GSA officials have raised concerns about the potential effectiveness or need for this proposed board. These former senior officials have testified before other committees, and have consistently questioned whether there is a real problem or not. They have questioned whether a significant number of underutilized Federal properties actually warrants the creation of a new Federal bureaucracy. GAO has also raised concerns about reliability of the data, and the Federal Real Property Profile [FRPP], which describes most of the real property owned by the Federal Government, and is considered by OMB to be a key management tool.

Without a rigorous inventory and analysis, it is impossible to know whether the Federal Government is really sitting on billions of dollars of underutilized properties, and if there is a market for these properties at all. As the Federal Government's landlord, GSA has a responsibility to guide agencies toward making good decisions that reflect both the will of the administration and Congress.

The Federal Government must make better decisions on how to house these Federal agencies. With the advent of hoteling, alternate work schedules, and teleworking, it is very possible for Federal agencies to have a smaller footprint than ever, as the need for Federal workers to be in one fixed location decreases.

I remain open to a legislative fix if that is what is necessary to address the real documented concerns about the management of real property. However, I also want to ensure that any legislation offers the proper protections for the current stakeholders in the disposal process, while improving the process for disposition of real property. These important stakeholders include homeless service providers and municipalities eligible for public benefit conveyances.

So, I am especially interested in whether or not the current guidelines are working, as Congress intended, to allow homeless service providers an appropriate opportunity to make use of surplus or underutilized Federal properties to address the devastating problems of homelessness, particularly among returning veterans.

So I look forward to the testimony of today's witnesses to help us evaluate the need for legislation to dispose of Federal property that might be surplus or underutilized.

And I yield back, Mr. Chairman.

Mr. BARLETTA. Thank you, Ranking Member Carson. On our first panel today we have the Honorable Jeff Denham, chairman of the Subcommittee on Railroads, Pipelines, and Hazardous Materials of the Committee on Transportation and Infrastructure. And I ask unanimous consent that our witness' full statement be included in the record.

[No response.]

Mr. BARLETTA. Without objection, so ordered.

Chairman Denham, you are now recognized for 5 minutes.

TESTIMONY OF HON. JEFF DENHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. DENHAM. Thank you, Mr. Barletta and Mr. Carson, for allowing me to testify today. And first let me commend Chairman Barletta on his efforts to not only authorize, but also pass a bipartisan bill, the Public Buildings Reform and Savings Act of 2015.

Your leadership on this issue has helped us not only in decreasing our national debt, but also in getting rid of some of the Government inefficiency.

I would also like to thank Chairman Shuster and Chairman Chaffetz for working with me on this issue to ensure it receives the proper oversight and attention. Reducing our Nation's national debt is a bipartisan issue, and I have been proud to work over the last several years to not only get a bipartisan resolution, but get one that goes across multiple committees to get—to garner enough support to actually move this along.

Legislation will reform the Federal property disposal process, and would create a nonpartisan, professional board to root out waste and inefficiencies in the way that we manage our public buildings. The principles of this bill are the driving forces behind the effort to redevelop the Federal Triangle, and serve as a model for how we manage property, nationwide.

I first proposed reforming the Federal property disposal process at this subcommittee's first hearing in February 2011, and the President proposed similar ideas in his 2012 budget. I am pleased to see the President has continued his support of these reforms, speaking to it not only in his 2011 State of the Union speech, but

also including it once again in his 2016 budget that he submitted to Capitol Hill.

Likewise, I am pleased to have secured the commitment of this administration to advance legislation, to work with myself and Chairman Chaffetz, to see real reforms actually signed into law.

In recent years the GAO identified billions of dollars of waste through mismanagement over buildings, and an overreliance on costly leased space to meet long-term housing needs. Additionally, both Houses of Congress have included the idea in their annual budget documents. I believe the potential to save billions of dollars is real.

To be successful, the board will need to implement five principles: first, to consolidate the footprint of Federal real estate; second, house more Federal employees in less overall space; third, reduce our reliance on costly leased space; fourth, sell or redevelop high-value assets that are underutilized, or too valuable for housing Federal employees; and, fifth, and most importantly, to dispose of surplus property quickly.

I believe a board of citizens that uses these five principles to guide its decisions can see over $15 billion in initial savings. To be clear, we are not looking to create a fire sale of vacant properties, or overload the marketplace. Simply dumping vacant properties on the market is not a long-term solution.

Additionally, some Members have talked about this as being a BRAC-like process. We have listened to these concerns over the years, and continue to work on this legislation. To begin with, BRAC relocated thousands of people, families, and entire communities. BRAC removed an economic engine from cities across the country. This legislation will not relocate one family. It will not destroy one single community. Instead, we will bring new economic life and development into Federal space that has long been neglected.

Finally, the decision on these properties today belongs to OMB. And, through this legislation, will remain with OMB. What we would like to do is reshape the way this country manages the Federal real estate footprint. At the end of the day, the total cost to house the Federal Government is directly proportional to how much real estate we hold. To save money, we will have to consolidate that footprint. To consolidate, we must house more Federal employees in less space. Fortunately, there are tremendous opportunities of savings in this area.

Perhaps one of the greatest areas for taxpayer savings will be in the redevelopment or sale of the high-valued but underutilized properties. For instance, the ones the chairman had talked about, the abandoned and underutilized properties here, in DC, the Georgetown West Heating Plant and the Old Post Office, they were both vacant and decayed, costing taxpayers millions of dollars a year, as they sat idle and unused.

The first hearing that we held was in the Old Post Office. I remember being a new freshman, wearing a California suit in the middle of the winter, and it was 32—it was below zero, freezing temperatures in that cold building, sitting vacant. I know there are some people in here that remember very fondly the cold atmosphere of that vacant building that is now being redeveloped.

Through the attention that was paid by this committee, GSA was able to sell one and lease the other to private entities that will bring new business and economic activity right here, to the DC area. There are high-value properties like this all across the entire country. We can use this as an example. Maximizing value is what we seek to achieve.

I believe this guiding principle, along with the five objectives I have outlined earlier, should help us to redevelop and push this legislation along.

I thank the committee, again, and I look forward to working with you on this issue, as we move forward.

Mr. BARLETTA. Thank you for your testimony. Your leadership and commitment to this issue is critical.

I will now call our second panel of witnesses. Thank you.

[Pause.]

Mr. BARLETTA. We have with us today the Honorable David Mader, Controller, Office of Management and Budget; Mr. Norman Dong, Commissioner, Public Buildings Service, U.S. General Services Administration; and Mr. David J. Wise, Director, Physical Infrastructure Issues, U.S. Government Accountability Office.

I ask unanimous consent that the witnesses' full statements be included in the record.

[No response.]

Mr. BARLETTA. Without objection, so ordered. Since your written testimony has been made a part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Mr. Mader, you may proceed.

TESTIMONY OF HON. DAVID MADER, CONTROLLER, OFFICE OF MANAGEMENT AND BUDGET; NORMAN DONG, COMMISSIONER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION; AND DAVID J. WISE, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. MADER. Thank you, Chairman Barletta, Ranking Member Carson, and members of the committee and subcommittee, for inviting me to testify and update the subcommittee on the changes that we are implementing to improve the Government's real property management, and overall efficiency of the real property portfolio.

I would like to update you on the status of the initiatives that I mentioned when I testified last July in front of the House Subcommittee on Government Operations regarding the administration's effort to improve the management of the Government's real property portfolio. Over the past 11 months we have continued to implement actions that will improve and transform the way the Federal Government manages its real property.

Our plan includes four key components: first, develop and implement a strategic framework that will guide agencies' management of their real property portfolios over the next 5 years; second, develop and implement Governmentwide performance metrics that will identify efficiency opportunities at the agency level, and to assess the performance of individual agencies; third, develop a new management tool within the current Federal Real Property Profile

to enhance the utility and quality of that data; fourth, modifications to existing statutes to increase the pace and number of property disposals which will decrease the amount of resources expended on maintaining excess and underutilized properties.

The President's 2016 budget invests in our federally owned facilities to ensure that mission execution is optimized at the lowest possible cost, including $2.4 billion over the fiscal year 2015 enacted level to support critical construction and renovation projects, as well as opportunities for consolidation in the Federal building inventory.

We have completed or made significant progress on three of the four components. We issued the National Real Property Strategy in March of 2015, which builds on past actions and results to define the strategic framework that agencies will use to manage their portfolio. The framework will freeze the growth of the inventory, measure performance, and identify opportunities to improve efficiency in data quality, and, finally, to reduce the size of the inventory by prioritizing actions to consolidate, colocate, and dispose of properties.

To implement the national strategy, we have issued a new policy that provides a set of agency-specific performance metrics. The Reduce the Footprint policy, issued also in March, requires agencies to implement a 5-year plan to reduce their real property portfolios. The Reduce the Footprint policy prioritizes the disposal of unneeded and inefficient properties by requiring agencies to set annual square-foot disposal targets for all types of buildings. It also requires agencies to issue office space design standards by March of next year, 2016, and to use the standard as a design criteria, going forward.

The last component of our plan, potential modification to existing statutes, could increase the pace and the number of properties disposed of through sale, demolition, and public benefit conveyance. These modifications could include, but are not limited to, agency retention of some of the sale proceeds for reinvestment in additional disposals, expanded authority for GSA to support agencies' work to prepare properties for a declaration of excess, and relief from some of the aspects of the public benefit conveyance process.

All of the components of our plan, except, of course, for the potential modifications to the existing statutes, will be implemented by the end of this fiscal year, 2015. We believe these actions will significantly improve the management of real property and deliver efficiency gains over the next 5 years. The real property program has achieved results in 2014, and we will continue to build on this achievement.

We reduced the Freeze the Footprint baseline by 11.2 million square feet in 2014, and this result builds on the 10.2-million-square-foot reduction we achieved in 2013, so in 2 years combined we reduced 21 million square feet of office and warehouse space.

It is important to note that, in order for the Government to reduce our footprint, we require funding to make the necessary reconfigurations and relocations that will result in out-year cost avoidance. We have made progress. However, significant opportunities remain.

One significant challenge has been the historically low levels of funding appropriated to the GSA Federal Buildings Fund. The GSA is leading the Federal effort to both invest in Federal facilities and consolidate space to reduce costs and optimize efficiency, avoiding tens of millions of dollars in annual lease costs. Recent funding levels for the GSA and other Federal landholding agencies have led both to facility deterioration, as well as missed opportunities to consolidate and reduce operating costs. As I stated in my hearing last summer, I think we need to think about the concept of investing to save.

We look forward to working with the subcommittee on legislation that will enable us to make even greater progress by improving the efficiency of the Governmentwide portfolio and accelerating the pace of property disposals over the next few years.

Thank you for the opportunity of testifying today, and I look forward to answering your questions.

Mr. BARLETTA. OK, we have—they have just called votes. We have a two-vote series. So we are going to recess until we can return from these votes in about 20, 25 minutes.

The subcommittee is in recess.

[Recess.]

Mr. BARLETTA. The meeting will come to order. We will pick up where we left off.

Mr. Dong, you may proceed.

Mr. DONG. Good afternoon, Chairman Barletta, Ranking Member Carson, and members of this committee. Thank you for inviting me to the hearing this afternoon. Our mission at GSA is to deliver the best value in real estate, acquisition, and technology to the Federal Government. And, within the Public Building Service, our goal is to support agency real property requirements, but in the most fiscally responsible way.

We recognize that excess spending on real estate comes at the expense of more mission-critical activities. And, as agencies spend less on rent, they can devote more of their limited dollars to support mission requirements.

To do this, we are consolidating space and improving space utilization. We are taking a more disciplined approach to leasing. We are disposing of unneeded assets. We are leveraging our exchange and outleasing authorities, and we are supporting OMB in the Governmentwide effort not just to freeze, but to reduce the Federal footprint.

On the issue of space utilization, we are working with Federal agencies to identify opportunities to colocate, consolidate, and reduce the footprint. Since fiscal year 2014, Congress has provided $70 million each year to support agency consolidation projects. Many of these projects reflect agencies moving out of expensive leased facilities into federally owned space.

In Minneapolis, for example, we are partnering with HUD [U.S. Department of Housing and Urban Development] to move them out of leased space into the Federal building in that city. Through this process, HUD will reduce its footprint by over 9,000 square feet, which will save the Government more than $700,000 each year.

And today we are executing dozens of projects that will reduce the Federal footprint by almost 800,000 square feet, and reduce an-

nual leasing costs by about $50 million. And, given significant agency interest in this program, our budget request for fiscal year 2016 will help us further reduce our square footage, and increase our annual cost savings.

As we emphasize the importance of federally owned space, we will continue to see a significant amount of leasing activity. So, our job at GSA is not just to make sure that we are reducing the footprint, but also the cost of that footprint. And, by embracing greater competition in our leasing transactions, we can capitalize on favorable rates that we are still seeing in many markets.

In order to get better leasing rates for the Government, GSA is working with our Federal tenants to simplify their space requirements and broaden delineated areas to increase competition; to extend lease terms to 10 years or longer whenever possible, because longer terms usually mean lower rates; and to start the planning process at least 36 months prior to lease expiration, to allow for competitive procurements, and to avoid costly holdovers and extensions.

We see that whenever we are in holdover or extension, we are paying about 20 percent more than we should, on average. In recent years, we have made some good progress to reduce the number of holdovers and extensions. And, by the end of fiscal year 2014, we had only 97 holdovers out of more than 8,700 leases, which was the lowest figure since 2007.

On the issue of underutilized property, we are improving our efforts to identify assets we no longer need, and to move these properties off our books. In fiscal year 2014, GSA disposed of 342 properties, Governmentwide, which represented a 61-percent increase from the year before. And this year we are on track to meet our goal of disposing of 3 million square feet of excess property, which includes the Metro West Building in Baltimore.

We are seeing some progress here, but we recognize that there is much more that we can and should be doing. GSA is also leveraging our exchange and outleasing authorities to tap into the value of those assets that no longer serve a Federal purpose, but still represent significant value to the private sector.

In Southwest DC, we are leveraging the value of our regional office building and the Cotton Annex in the Federal Triangle complex. Through this exchange project, GSA is seeking construction and development services to modernize the rest of our headquarters building, and to further the DHS consolidation at the St. Elizabeths campus.

Another example is our long-term lease of the Old Post Office building to the Trump Organization, which is transforming it into a luxury hotel. This private investment of $200 million will preserve this historic building, serve the local community, and generate lease revenues for the Government.

I would like to close by discussing how GSA is supporting the administration's National Strategy for Real Property. This summer, GSA will be working with OMB to review agency plans to reduce the footprint. And, through this process, we will build upon our work in fiscal year 2015, and will develop a robust pipeline of potential projects for disposal, exchange, and outlease, beginning next year.

We have made significant progress in managing Federal real property, but we recognize there is much more work that must be done. I look forward to working with this committee to improve Federal Government management of real property.

Thank you for the opportunity to testify today, and I look forward to your questions.

Mr. BARLETTA. Thank you for your testimony, Mr. Dong.

Mr. Wise, you may proceed.

Mr. WISE. Chairman Barletta, Ranking Member Carson, and members of the committee, thank you for the opportunity to discuss our work on how the Federal Government's real property management practices could be improved.

The Government's real property holdings are vast. The portfolio comprises hundreds of thousands of buildings, and a comparable number of permanent structures. My statement today focuses on, one, improvements and challenges in Federal real property management; and, two, executive and legislative steps that could help the Government address these challenges.

Since GAO placed Federal real property management on the high-risk list in 2003, the Government has given the issue high-level attention, including: establishing the Federal Real Property Council and the Federal Real Property Profile, which is the Government's real property database; implementing the 2012 Freeze the Footprint policy, aimed at keeping Federal office and warehouse inventory at a baseline level established using FRPP data; and issuing this past March the 2015–2020 National Strategy for the Efficient Use of Real Property. The strategy includes freeze growth in the inventory, measuring performance, and reducing growth through consolidation, colocation, and disposal.

Notwithstanding these positive steps, the Government continues to face challenges in managing its real property portfolio, including maintaining more real property than it needs, relying on leasing when ownership would be more cost-effective, and making real property management decisions using unreliable data.

Retaining unneeded real property results in significant costs to the Federal Government. In July 2014, the administration released the first-year results of the Freeze the Footprint policy, indicating that it reduced the Federal Government's office and warehouse space by about 10 million square feet between fiscal years 2012 and 2013, which exceeded its goals.

However, we found that the data behind these results were unreliable, resulting in a potential overstatement of the progress made. For example, some properties credited as having been disposed of by agencies were actually returned to GSA, and remain part of the Federal inventory.

The Government continues to rely heavily on leasing where ownership would be more cost-effective in the long run. In our February 2015 high-risk update, we reported that the Government has demonstrated leadership commitment by trying to consolidate high-value leases and smaller leases, as they expire. However, we noted that GSA lacked an action plan and transparent data to demonstrate progress in achieving this goal.

Consistent and accurate data are critical to effectively manage real property. Despite leadership commitment to improve FRPP,

the Government continues to face challenges with its accuracy and consistency. In 2012, we reported that FRPP data did not consistently describe excess and underutilized Federal real property. While the Government has taken some steps to improve FRPP, additional improvements are needed, including better accuracy of utilization, space reductions reported by agencies, maintenance needs, and tracking of structures.

Three key steps could assist the way forward: implementing the national strategy, which I mentioned earlier; implementing key GAO recommendations; and considering legislation to assist the disposal process and mitigate competing stakeholder interests.

In recent years we have made a number of recommendations to GSA that, if implemented, should improve real property management and reduce costs. Some priority recommendations include, in June 2012 we recommended steps GSA could take to make the FRPP database a better decisionmaking tool. GSA agreed, and is implementing measures aimed at improving its reliability and usefulness. This effort is ongoing.

In July 2012, we recommended that GSA develop a 5-year capital plan to help ensure that long-term goals are fully considered when making decisions to fund capital projects. GSA agreed, but conveyed that the challenging budget environment in recent years has limited the agency's ability to develop such a plan.

In November 2014 we recommended that GSA develop a clear strategy to effectively manage the Government's vast warehouse portfolio. GSA agreed, and is developing appropriate guidance. We will continue to monitor the implementation of these and our other real property recommendations.

Since 2011 there have been several real property reform bills introduced in the Congress. None have been enacted. One of the bills, a Civilian Property Realignment Act, CPRA, provided a framework for disposing of and consolidating civilian real property. The Excess Federal Building and Property Disposal Act would have created a pilot project for expedited disposal of a limited number of high-value properties through public auction.

More recently, the Public Buildings Reform and Savings Act would codify the Freeze the Footprint policy goals for high-value projects, and place limitations on the agency's ability to enter into private-sector leases, among other things.

Chairman Barletta, Ranking Member Carson, and members of the committee, this completes my statement. I would be happy to answer any questions you have at this time. Thank you.

Mr. BARLETTA. Thank you for your testimony, Mr. Wise. I will now begin the first round of questions, limited to 5 minutes for each Member. If there are any additional questions following the first round, we will proceed with the second round.

Mr. Dong, I want to thank you again for working with us on the leasing side. Before we get into the owned side, I did want to alert you that I am still hearing that the standard GSA lease is just 5 years, which, as you know, is more costly than long-term lease deals. What are you doing to get the GSA regions to lock in the long-term deals?

And also, with 50 percent of your leases expiring in the next 5 years, GSA should be using all the tools in your toolbox. However,

I am still not seeing many leases being tasked to the brokers. And what are you doing to address this?

Mr. DONG. Chairman Barletta, I think you are raising a really interesting point here. And since I have been commissioner over the past 15 months, I have underscored the importance of broader delineated areas, and longer lease terms, and greater competition, all in the name of being able to get better rates.

But I think what we want to be able to do is not just say what is important, but to actually follow through with the regions, to make sure that they are doing what is important. And we are taking much more of a hands-on role to have those follow-on discussions with the regions, to review the transactions, one by one, to ask the questions, in terms of, "All right, tell me what you are doing about delineated area. Tell me what you are doing about lease term."

We actually, over the past few months, have been doing reviews of past transactions, region by region. What we will do, going forward, is to review the future pipeline of expiring leases, and really make sure that agencies are adhering to the guidance that we have articulated at headquarters, to make sure that we are landing in the right place for those larger transactions.

Mr. BARLETTA. As far as working with the brokers?

Mr. DONG. We have talked in earlier settings about how we have a significant amount of work in front of us, in terms of the expiring lease pipeline. And, again, we don't want to be in a situation where we continue to put more time on the clock through extensions, because that costs us, as we have talked about before, a 20-percent premium.

So, as we look at the workload, region by region, one of the questions that we are bringing to that discussion is, "Tell me how you are going to use the broker contracts as a resource here," because we have no excuse not to use the brokers. We need to be leveraging every single resource at our disposal to manage the workload, and to get the best rates.

Mr. BARLETTA. Mr. Mader, last week OMB Director Donovan committed to members of this committee to working with us and Chairman Chaffetz to advance legislation and reform the way the Federal Government manages property. Specifically, we seek to consolidate the Federal footprint, sell or redevelop high-value, underutilized space, and dispose of property more quickly.

Now, the President has also included property disposal legislation as a priority issue in his annual budget. We appreciate the President's focus on this issue, and agree the time has come to address the backlog of unneeded property. Can you confirm that the administration will work with us to move legislation through Congress that incorporates those ideals?

Mr. MADER. Mr. Chairman, absolutely. Not only does the administration support better leveraging the real property portfolio, but, you know, I think we have demonstrated through, you know, proposing in multiple budgets now for several years, the CPRA legislation that David Wise talked about. So I think we are all shooting for the same objective, and I think it is just a matter of how do we sort of dock all these ships together.

This morning, Norm and I had an opportunity to testify over in the Senate with Chairman Johnson and Senator Carper. Same topic. They have an interest, they want to do something.

So, I think, you know, it is just a matter of getting all the stars aligned, because I think everybody is shooting for the same objective here.

Mr. BARLETTA. Mr. Wise, does the Federal Government own civilian property that it does not need, or underutilizes? And is significant taxpayer money spent on these properties every year? Is this a significant problem? Is legislation required to address it?

Mr. WISE. Yes, yes, yes, and yes, in brief. To expand on that, yes, it is—clearly, we have shown—and I think the testimony from the administration has also shown—that there is a lot of unneeded and underutilized property out there. Exactly how much, we don't really know. Is it costing taxpayers money to maintain and secure it and guard it, and so forth? Yes.

Legislation? There are certain things we have talked about in the past in some of our reports. There's a lot of things the administration can do, but there are some things that the Federal agencies are really unable to do. We see this as basically kind of a cooperative effort. There is both a Federal side, as well as an agency side and a legislative side.

And where I think the legislative side can come into play is through some elements that we are—that we already knew about from CPRA, where it can deal with some of the problems that inhibit the disposal process, primarily trying to either neutralize a little bit, or at least mitigate some of the competing stakeholder interests. And that is where a CPRA-like, or at least a legislative remedy, could be very useful, in partnering with the Federal agencies, to help move the disposal process.

Mr. BARLETTA. Thank you. The Chair now recognizes Ranking Member Carson for 5 minutes.

Mr. CARSON. Thank you, Chairman.

Commissioner Dong and Mr. Mader, can you provide specific examples of when the Federal Government was unable to dispose of a valuable piece of property because of conflicting stakeholder interests that you believe to be emblematic of this problem, nationwide?

Mr. MADER. Congressman, let me start, and then I think Norm probably has a couple examples.

I recently had an opportunity to visit with the Department of Veterans Affairs. OMB does an annual review of agency operations. Last week we sat with Deputy Secretary Gibson and his top leadership. And one of the topics of each and every one of these reviews—and we are about halfway through the cabinet-level departments now—focuses on real property, on the amount of space they hold, number of buildings.

In the case of the VA, obviously, they are a very large landholding and building-occupying agency, and rightfully so, because of the critical mission that they provide. But what was interesting in that conversation was the level of frustration that they talked about, where they have facilities that they are looking to replace, and yet, you know, they receive opposition from the community to actually replace it. And there were a couple that they mentioned

in particular, where they said, you know, “We have the funding to build a new facility, but the community doesn't”—you know, “They really like this old facility.” Or, “We can consolidate a facility, and turn that building over to GSA for redevelopment, and the community says, ‘You know, we would really just like to keep the VA hospital.’ ”

So I think one of the challenges—and Norm has lots of other examples—is how do you sort of leverage the interests of all the parties in a way that we can actually achieve. What we share with you is reducing the footprint.

Mr. DONG. Congressman Carson, my colleague from OMB was talking about some of the challenges in managing the various stakeholder interests. I wanted to answer the question focused on what we see as some other obstacles, as well. And I think a key obstacle for us in this process is that whole notion of retention of proceeds. And what we see, as agencies look to identify properties to move off their books, is that they incur costs. There is a cost of doing that. There is an upfront cost of doing that. And if they have no ability to retain any proceeds to at least recover their cost, it makes it very difficult.

We actually see some examples in the Federal Government where you do have agencies that have some limited retention of proceeds authority. The Coast Guard is one example, the Forest Service is another example. And, with those two agencies, you are seeing far more volume, far more disposition activity among those agencies because they are able to recoup their costs.

Mr. MADER. I think, if I might add one more item, in the current fiscal year, the Congress authorized GSA to spend $70 million out of the Federal Buildings Fund to do building consolidations. And I think this goes to the chairman's comment about, you know, in GAO's critique about moving out of expensive leased facilities.

So GSA had last year, and then again this year, $70 million. And they have done—and Norm can talk about the progress they have made over the last 2 years. But in the President's budget for 2016 that is pending, we have asked for $200 million. There is a lot more we can do, if we could invest in it. And what we are hearing is, in fact, not only are we not going to get the $200 million, we are not even going to get the $70 million. So you got to wonder, you know, can we actually expect GSA to make any progress when we are not providing the resources to them?

Mr. CARSON. Thank you, gentlemen.

Mr. Wise, given the problems you have identified with the Federal Real Property Profile, and that a significant portion of its data is, effectively, unreliable, do you think it is possible to put together a commission that would have the ability to scour the Federal real estate inventory in a systematic way?

Mr. WISE. Congressman Carson, the issue with the Federal Real Property Profile is, as you say, the data—we have done a lot of engagements, and almost in every one we have found issues with various aspects of the Federal Real Property Profile.

But beyond just the pure data being an issue, there is also—as we turned over the rocks of the Federal Real Property Profile, we found that there were some real issues with how the data is collected, and the congruency of the various agencies' definitions of

what constitutes utilization or nonutilization or building condition. And so we have a very wide-ranging kind of set of circumstances involved with many different agencies, and even sometimes bureaus within those agencies, putting data into this system, but not all clearly defined in the same way.

So, naturally, when things go in with some lack of consistency, they are certainly going to come out inconsistently, as well. And so we find all sorts of anomalies with the data.

But I think we see a very strong management commitment, both from GSA's Governmentwide policy office, as well as from OMB under the leadership of Dave and his staff, of trying to come up with ways to harmonize the collection data practices and definitions, so that the data itself can be collected in a more parallel basis, which, hopefully, will then improve the overall database.

So, it is really quite a deep problem, beyond just the numbers themselves. It is the foundation of it that really needs to be worked on. We do know that process is ongoing at GSA, and we are hopeful that when we evaluate it on the next update of the high-risk update for 2017, we will see some significant improvements as we go to test the data and its reliability.

Mr. CARSON. Thank you, gentlemen. I yield back, Mr. Chairman.

Mr. BARLETTA. Thank you. We will now start our second round of questioning. This is to all witnesses.

As I said in my opening statement, I think there are four basic reasons that we can't get rid of real estate that we don't need. One, agencies are land-banking valuable properties. Two, it costs agencies more to sell a property than it will generate in sale proceeds. Three, you have to relocate people from underutilized properties first. And, four, the disposal process takes too long, and results in few sales.

To address these problems, it would seem that we need, one, an independent body to recommend properties for sale; two, the proceeds from the high-value properties to pay for the upfront costs of selling the less-valuable properties; three, GSA's real estate authorities to relocate people off underutilized but valuable property; and four, to streamline the disposal process.

Do you agree these are the fundamental problems and solutions that Congress has to address?

Mr. MADER. Mr. Chairman, I think what you just articulated is very consistent with the themes that exist within our proposed CPRA legislation. So, you know, I think we are—again, I know I sound like a broken record—I mean I think we are all in alignment on what the endgame is, and how to get there. I think it is a matter of just tweaking the pieces and moving forward.

Mr. BARLETTA. OK. Mr. Dong?

Mr. DONG. I would concur with what Mr. Mader said.

Mr. BARLETTA. Mr. Wise?

Mr. WISE. I will continue the broken record. I pretty much agree with what Dave and Norm said. In fact, what you were describing sounded a lot like CPRA legislation. Those are all elements that are important to helping the process move forward, hopefully, to improve the Federal property profile.

Mr. BARLETTA. OK. Sorry for not recognizing Ms. Norton in the first round of questions. Ms. Norton, you are recognized for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman. I tiptoed in, so I can understand that.

I very much appreciate this hearing, Mr. Chairman, however, and I would like to pose a question, first off, to Mr. Wise.

Mr. Wise, this question, really, is about how. You know, it is easy enough to point out all the things that we wish GSA would do. It becomes more hard to do it. And sometimes GSA has authority and won't do it. Perhaps sometimes the Congress needs to make clear or to offer authority.

I noted on page 4 of your own testimony—here I am quoting from it—you said, "The Federal Government continues to rely heavily on leasing of properties where it would be more cost-effective in the long run for the Federal Government to own." That is a kind of mantra, virtually, of this committee. But, you know, it is easy enough to say that; it has been difficult to do it.

If you were—we were to point to agencies where this becomes hard to avoid, we might point to the consolidation of the Department of Homeland Security, where the Government continues to spend billions of dollars. And when it is all done, it will be perhaps untold billions, because of the delay that Congress has made moving here.

But I noted that DHS is still in 55 locations in this very high-lease national capital region. When consolidation fully occurs, they will be down to something like six to nine leases. You know, one can calculate the kind of savings in lease costs that amounts to. One would imagine that sooner, rather than later, is when we would want to proceed. If this doesn't add to the deficit, I don't know what does, at least in terms of money that we could extract.

So, I would like, perhaps beginning with Mr. Wise, does GSA have the authority to fully use incoming rent funds to construct new facilities that could help with consolidation?

Mr. WISE. Congresswoman Norton, the issue with the Federal Buildings Fund, of course, is that there is an accumulation of money going into it, but GSA is not able to expend that money on capital projects without the authorization of Congress.

Ms. NORTON. All right, let me stop you there. If Congress were to authorize spending of money we already have in the building fund, then GSA could move more rapidly to free us from these costly leases.

Mr. WISE. If Congress authorized GSA to spend the money as Congress directed, then GSA could proceed forward with spending that money on whatever capital project was authorized.

Ms. NORTON. Do both of you agree, Mr. Dong, Mr.——

Mr. MADER. Absolutely.

Mr. DONG. Yes. It comes back to having full access to the rents that we collect. The Federal Buildings Fund was set up so that the rent that we collect from our tenant agencies gets reinvested back into the Federal portfolio. We are not seeing full access. Those dollars are being diverted for other purposes.

Ms. NORTON. What kind of purposes?

Mr. MADER. The other purposes outside of Federal——

Ms. NORTON. Well, I can understand for rehabilitation, for maintaining properties. But I wonder if one could even cite a purpose that could save the Government more money than authorization by this committee to use at least some of those funds to hasten—otherwise, we are depending upon appropriations, and that is very difficult to do, appropriations from Congress of the United States, and we have this money lying right here that could be used.

And, Mr. Chairman, I am going to ask that we at least take a close look at that, so that we don't continue simply to criticize GSA for doing something it can't help but doing for lack of authorization from our own committee.

Mr. Blue, I want to thank—or was it Mr. Dong who was with me at the roundtable I had on holdover leases?

Mr. DONG. I believe it was our regional commissioner, Darren Blue, who was with you at that event.

Ms. NORTON. It was Darren Blue, yes. When he—I was pleased to hear that the holdover leases—holdover leases are costly, perhaps the most costly of leases—had decreased. But it looks like the way we have done it is to increase the number of short-term leases, at least in this region. And, of course, I point to this region, where perhaps the lion's share of your leases are.

What would it take to get off of these short-term leases? Is it because of the footprint requirements? Why are you doing short-term leases, which, in and of themselves, guarantee to cost the Federal Government more in funds?

Mr. DONG. I think you are raising a really good point. And I think what we see is, whenever there is holdover or extension, or even succeeding leases, whenever we take a stay-in-place strategy, and we send a strong message to the market that we want to stay in place, then we shouldn't be surprised when we are getting less than competitive rates.

So we are trying to make sure that we apply much more discipline and rigor to the planning process, so that we get agency requirements early on in the process. We need to start the planning process at least 36 months before lease expiration, and we need to be much more disciplined, in terms of running that competitive process, so the market knows that we are serious about getting the best rates for the taxpayer.

Ms. NORTON. So what is the average for a short-term lease?

Mr. DONG. Well, we see lease extensions that are, like, 2 years or 3 years. And sometimes they make sense. So when we do a lease extension because we are moving that tenant to a federally owned building, then that is a clear strategy that makes sense, because we have got a longer term solution to have them in an owned facility.

Ms. NORTON. Oh, would that were possible more often. Go ahead.

Mr. DONG. When we see lease extensions where we have not done the planning, and we are simply putting more time on the clock, and we don't have a clear plan for what happens next, that is the wrong approach.

Ms. NORTON. Mr. Chairman, I know I am over time.

I wish you would submit to the chairman how you are implementing this longer term out, so that, in fact, you engage in fewer short-term leases, so the committee will understand when this is

happening, how often it is happening, and how many short-term leases have been affected.

Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you. We will now resume our second round of questioning. I just have one more question.

Mr. Mader, the administration advocates for an independent board to achieve "long-desired opportunities for reform and deficit reduction within the inventory with far greater scope, speed, and efficiency." Can you talk about why an independent board is important?

Mr. MADER. I think, Mr. Chairman, an independent board would allow us to bring in outside expertise, folks that have, you know, worked in the private sector, who have dealt with large, real property portfolios. And I think the combination of the outside expertise, along with GSA and other—let's say other landholding agencies, would allow us to sort of step back and think differently about how we look at properties, how we think about bundling portfolios of properties.

This past year, working with GSA, you know, it is interesting. GSA only has control over 19 percent of the inventory, which, I think, is a surprise when people hear that low number. They just think GSA runs everything. The fact of the matter is, they don't. You know, you have NASA [National Aeronautics and Space Administration], you have DOD [Department of Defense], you have the Department of Agriculture.

So, what we did, between us and GSA, is actually got these landholding agencies together and said, "Look, we all have disposals. But what we are doing is we are doing them in our stovepipes, And we are doing them as one-offs. What if we looked at a geographic area and said, you know, 'Who has got excess property in these five counties?'" Is it more attractive to sell a portfolio than a single property? Maybe. So I think a board brings that creativity and different way of thinking.

And I also think it takes away some of the parochialism that just is inherent in the Government. You know, like, "Well, we have never done it that way before." So I think it is a combination of that outside experience and the inside expertise.

Mr. BARLETTA. Thank you. I have no further questions, and recognize Ranking Member Carson for 5 minutes.

Mr. CARSON. Thank you, Chairman. Commissioner Dong and Mr. Mader, how often do Federal agencies, unprompted by GSA or even OMB, offer up excess real estate for disposal? And is the solution as simple as allowing agencies to retain the proceeds of the sale of that property? And does GSA have the discretion to really allow agencies to retain the proceeds of a sale using their current authority?

Mr. MADER. So I am going to start, and then I think Norm will pick up.

I have seen, over the last couple of years now, a—more of an interest in agencies to basically unload their excess property. Because, with flat or declining budgets, what they are seeing is, you know, dollars going to underutilized excess properties, maintaining and safeguarding vacant properties. And that is a dollar that is not going to their mission, and to, you know, citizen services. So I see

more incentive on the part of agencies now to say, "I need to find a way to either consolidate my facilities, or release excess facilities," and more and more of those agencies coming to GSA, saying, "Help me."

And, you know, GSA has done, I think, a great job over the last 2 years. But again, it is within the limit of how many dollars they have to do it. So, either the agency brings them the dollars, you know, through an appropriation, or, as Norm mentioned, a couple of agencies that actually have the authority to retain some of those savings, to use them, then, to queue up the next property for disposal.

Mr. DONG. I think Dave is right, in terms of we are seeing more activity across the agencies. And the Reduce the Footprint directive from OMB, I think, is helpful to really focus our collective attention on the problem.

That having been said, I think we all recognize that there is far more potential that we should be tapping into. And I bring it back to that whole notion of retention of proceeds. And where agencies have some ability to retain proceeds, to recoup the costs of getting these properties off their books, you are seeing far more activity.

Mr. CARSON. Thank you, sir.

Mr. Wise, you stated in the past that consolidating leases onto owned spaces might be the quickest way for us to save money in real property. What can the Government do to reduce its reliance on leasing?

Mr. WISE. Yes. I think that, again, this tracks back to the data issue that we talked about a little bit earlier. Because one of the issues we have seen in a number of our reports is that consolidation of leases is made more difficult by the fact that individual agencies don't always know what each other has out there.

I think back to an example of one of my teams out in the field had been in a medium-sized city in Texas, where there were two small Federal offices. They both could have fit together in one or the other, because one had a very small footprint. But they didn't know that the guy down the street had some vacant space.

So, that leads back to the idea that, if there was greater transparency into the Federal Real Property Profile, and agencies had more access to it, and it was more accurate, this would help facilitate individual agencies being able to look for opportunities to consolidate and move into Federal space, which would then reduce the reliance on leasing.

So, lease consolidation could be a very effective tool in terms of both saving money and reducing the Federal footprint.

Mr. CARSON. Yield back, Mr. Chairman.

Mr. BARLETTA. Thank you. The Chair now recognizes Ms. Norton for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman. I have a further question on freezing the footprint. As the chairman noted, this committee is working in concert with the administration to encourage as much freezing of the footprint as possible. But I noted that the GAO, Mr. Wise, has determined that some agencies are overstating. Indeed, some of those that had the largest reductions are overstating their freeze of the footprint. Is that—am I reading that correctly?

Mr. WISE. Yes.

Ms. NORTON. Can you explain that? Is this a technical matter? Is it something beyond that? What are they trying to do?

Mr. WISE. Well, it was a combination of different things, Ms. Norton. There were some technical aspects to it, there were some miscalculations of the measurements. There were—sometimes it was happenstance, where offices had been moving to begin with, but it happened to fall in that period when they were being asked to reduce a certain amount, or freeze a certain amount.

And there were also cases where it was just a situation where an agency might give back some of its real estate to GSA and claim it as a reduction, whereas actually, it was a reduction only to that particular agency, but in the aggregate sense, it was still part of the Federal footprint.

Ms. NORTON. It gave back some of its footprint.

Mr. WISE. But it turned it back—it didn't actually get reduced from the Federal inventory, it got reduced from an individual agency, but it went to GSA to take charge of. And, as a result, it was still part of the Federal inventory, but the agency counted it as a reduction.

Ms. NORTON. Yes, but it is a reduction for the agency. If GSA doesn't dispose of it, that is another question.

Mr. WISE. Well, yes. It is a reduction to that agency, but it is not a reduction in the aggregate sense. And that is why we felt that the—because the statistics that the administration was presenting was an overall, Governmentwide statistic. And, as a result, we didn't feel as though—that, when we did our analysis, that—we said, "Well, that is not—that is a reduction maybe for Agency X, but it is not an overall reduction"——

Ms. NORTON. You know, that is fair, Mr. Wise. I am going to say it is fair in judging the inventory of the Federal Government. But I must say it does nothing to encourage an agency which reduces its footprint, and then finds that it looks as though they have overstated. And I would ask GSA to break out, so that we know when the agency has done what we asked the agency to do, but GSA, for whatever reason, hasn't gotten to it, so it is not counted as if it is simply ignoring the footprint.

To what extent does moving costs or other costs interfere with reduction of the footprint?

Mr. WISE. You are asking me?

Ms. NORTON. I am asking all three of you on that. Start with you, Mr. Wise.

Mr. WISE. OK. Well, I will start off. Yes, it has an impact. And I think this gets back to some of the testimony that Dave and Norman had talked about a little bit earlier, and that is the fact that there are issues when an agency still has to—it sees a space where maybe there could be a potential for lease consolidation.

Let's say, for example, there is a sorting facility from a post office where they are no longer sorting mail, but they still need the front end of the post office to provide services. However, that back end of it still would need a certain amount of investment, or capital investment, to make it suitable for, say, the other Federal office down the street to move in there. And so, who is going to bear that cost? That is an issue——

Ms. NORTON. Well, that is my question if GSA authorizes to front that cost and then build it into the cost of the lease.

Mr. DONG. I think that is exactly right. And what we are trying to do, first and foremost, is to identify the opportunity to move from leases into owned space. Once we identify that opportunity, it is to figure out how you are going to fund the project.

Mr. Mader talked about the consolidation fund, which we think has been huge in terms of our ability to help support more of these projects. We also have a program at GSA that focuses on the upfront cost of furniture and IT [information technology]. And what we do is we finance those costs and allow the agencies to repay us over time.

Ms. NORTON. So are you doing all the—all of the upfront costs that would be necessary for that agency to move into a smaller space?

Mr. DONG. There are still some costs that the agency would be responsible for. But, again, what we are trying to do——

Ms. NORTON. What are those——

Mr. DONG. It would be certain improvements, certain above-standard requirements that would be on the tenant to pay.

Ms. NORTON. You can't do anything for them—well, that is going to keep them right where they are, Mr. Dong. That is going to keep them right where they are. You know, they are not getting enough appropriations, given the sequester and other reductions, to do much more than they are doing. So if they have got to put any money into moving, I don't know how you can expect an agency to reduce its footprint. I certainly wouldn't—if I were an agency, I wouldn't put that upfront. I would put the priority on keeping my staff, you know, or keeping my agency running.

So I don't see that you are enabling agencies, once they have to come up with some money that you know good and well that Congress isn't giving them, I don't see how you are enabling people to reduce their footprint fast enough.

Mr. DONG. Yes, we want to make sure that we are using all the tools at our disposal, and all the flexibilities that we have to reducing any obstacles.

Ms. NORTON. Why the tenant? Why is—why are the upfront costs for making the tenant adjustments in the facility not a part of what could be included in the lease?

Mr. DONG. Again, we are working to make sure that we have all the flexibilities. And we are using those flexibilities. What we often see is that agencies don't want to use the credit card to pay for the entire move. They don't want to overextend themselves, so they would rather find the upfront costs to deal with it, so that they are not paying overtime.

So what we do is, transaction by transaction, agency by agency, try to figure out how we are going to solve the funding issue for that specific project.

Ms. NORTON. Thank you, Mr. Chairman. I think—I mean I would like you to—I would like to know what the number of agencies are who are able to move, given the fact that they have got to take care of the tenant, the cost of adjustments to the facility in which they are moving. I would like you to send that to the chairman, please.

Mr. DONG. Happy to provide the additional details on that.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. BARLETTA. Thank you. I have no further questions. Are there any further questions?

Mr. CARSON. No, sir.

Mr. BARLETTA. I would like to thank you for your testimony. Your comments today have been helpful in our discussion. Thank you.

I will now call the final panel and witness.

[Pause.]

Mr. BARLETTA. Maria Foscarinis, executive director of the National Law Center on Homelessness and Poverty. I ask unanimous consent that the witness' full statement be included in the record.

[No response.]

Mr. BARLETTA. Without objection, so ordered.

Since your written testimony has been made a part of the record, this subcommittee would request that you limit your oral testimony to 5 minutes. And you may proceed.

TESTIMONY OF MARIA FOSCARINIS, EXECUTIVE DIRECTOR, NATIONAL LAW CENTER ON HOMELESSNESS AND POVERTY

Ms. FOSCARINIS. Thank you, Chairman Barletta, Ranking Member Carson, members of the subcommittee. Thank you for the invitation to testify today. My name is Maria Foscarinis. I am the founder and executive director of the National Law Center on Homelessness and Poverty.

The Law Center is the only national organization dedicated to using the power of the law to advocate the legal rights of homeless and economically vulnerable Americans. Since 1989, Law Center attorneys have worked through State and Federal courts to expand access to affordable housing, meet the immediate and long-term needs of those who are homeless or at risk, and strengthen the social safety net.

Through our work we have been fortunate to achieve significant progress in meeting these goals. In addition to securing and expanding legal rights for homeless Americans, we have worked with partners throughout the country to provide services to millions of homeless families and children. There is still much work to be done. Homelessness remains a crisis affecting too many men, women, and children across the country. Many of our Nation's veterans are among those who are affected.

One key Federal program designed to assist homeless Americans is title V of the McKinney-Vento Homeless Assistance Act, signed by President Ronald Reagan in 1987. Title V makes HUD responsible for leading a cross-agency effort to identify unneeded Federal properties suitable for use by homeless assistance organizations. Once those properties are available, homeless service providers have a right of first refusal to acquire the excess property.

Title V has enabled service providers and local government agencies to acquire and use surplus property to provide meals, shelter, housing, job training, medical care, and mental health treatment, among other things, for homeless Americans throughout the country. Each year, more than 2 million Americans receive assistance through title V.

Title V is a proven vehicle for assisting America's homeless with no cost to taxpayers. In fact, in light of the focus of today's hearing, I want to emphasize that title V saves taxpayer dollars by reducing operations and maintenance costs associated with unused and unneeded Federal properties.

But, despite this ongoing success, the Law Center has identified a number of challenges. Most notably, as this subcommittee well knows, landholding agencies are all too willing to retain unneeded or underused properties. The Law Center has worked for over two decades to push Federal agencies to identify all properties eligible for disposal under title V. So I can say with certainty that the Law Center shares this subcommittee's goal of ensuring that surplus properties are put to better, more productive use, while reducing costs to taxpayers.

As we work towards this common goal, title V must continue to be a part of the Federal property disposal process. Title V is not the cause of delays. In fact, only those properties deemed by HUD as suitable for use to provide homelessness assistance are available under title V. For this subset of properties, the title V application process takes only a few months to complete. We have worked with Congress, HUD, and other Federal agencies to improve and streamline title V and improve the efficiency of the process. I would like to briefly highlight three areas that could improve the title V program and save taxpayer dollars.

First, property should be designated for disposal once it has been vacant or unused for 1 year. If an agency determines that a vacant property is still needed, it should submit a written explanation of continuing need, which would be available for review by the general public.

Second, Congress should consider a more streamlined title V application process. Property for which there will not be a homeless services application should be available for sale more quickly. At the same time, title V applications should be considered more fairly and efficiently.

Third, Congress should consider reducing unnecessary bureaucratic redundancy by providing one agency, HUD, with authority to grant or deny title V applications.

At the Law Center we believe that the right to a home and food lie at the heart of human dignity, and we envision a world where no one has to go without the basics for human survival. Title V is a critical element of this vision, and I urge the subcommittee to ensure that any proposed modifications to Federal property disposal preserve and enhance this essential program.

Thank you for inviting me to testify. I look forward to your questions.

Mr. BARLETTA. Thank you for your testimony. I will now begin the first round of questions, limited to 5 minutes for each Member. If there are additional questions following the first round, we will have additional rounds of questions, as needed.

As you have mentioned in your written testimony, we share many of the same concerns. I believe we have the same problem and the same goals. Agencies are land-banking properties. To address this, there needs to be some independent review and clear di-

rection, other than relying on agencies themselves. Would you agree?

Ms. FOSCARINIS. [No response.]

Mr. BARLETTA. Would you agree with that?

Ms. FOSCARINIS. Well, certainly there needs to be review, yes. I agree.

Mr. BARLETTA. I am pleased with the discussion your organization has already had with this committee, and we look forward to continue to work with you on a solution that we can all agree on. Will you continue to work with us on this important issue?

Ms. FOSCARINIS. Oh, absolutely. We would love to work with you, Mr. Chairman.

Mr. BARLETTA. Yes, thank you.

Ms. FOSCARINIS. And the subcommittee.

Mr. BARLETTA. Thank you. I recognize Ranking Member Carson for 5 minutes.

Mr. CARSON. Thank you, Chairman. Madam Foscarinis, in your testimony you discuss the possibility of improving the disposal process by making HUD responsible for evaluating and approving applications for properties to be provided for homeless providers. Can you discuss this idea and how it could expedite the process of disposal?

Ms. FOSCARINIS. Absolutely, Congressman Carson. So, right now, the review process lies with HHS [U.S. Department of Health and Human Services]. HUD is responsible for the front end of the process, and then HHS takes over. We believe that the process could be streamlined, if authority were vested in a single agency. We think HUD is the most logical agency. HUD has the most expertise on issues of homelessness. And so we propose reducing bureaucratic redundancy by vesting the authority in HUD.

Mr. CARSON. And lastly, how would you describe the level of cooperation that homeless service providers have received from Federal agencies with respect to how they report excess properties? And how could that be improved?

Ms. FOSCARINIS. Well, I think a big problem for service providers is that they are not familiar with the process. There is a lack of information about what properties are available. So we believe that the agencies should—And GSA should—comply with—well, GSA should comply with the court order, and not land-bank the properties, and report the properties that are—that it annually deems excess to us, and to the homeless service providers for use as properties to assist homeless people.

But we also think that much more needs to be done with outreach. As the GAO recommended in its report, much more needs to be done to get the word out that these properties are available. Homeless service providers are not often reading the Federal Register. Much more user-friendly and accessible methods of outreach need to be implemented.

Mr. CARSON. Thank you, ma'am.

Mr. Chairman, I yield back.

Mr. BARLETTA. Thank you. The Chair recognizes—oh, Ms. Norton is gone. OK.

I would like to—are there are any further questions?

[No response.]

Mr. BARLETTA. I would like to thank you for your testimony. Your comments have been helpful to today's discussion.

And if there are no further questions, I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

[No response.]

Mr. BARLETTA. Without objection, so ordered.

I would like to again thank our witnesses, again, for their testimony today.

If no other Members have anything to add, this subcommittee stands adjourned.

[Whereupon, at 3:05 p.m., the subcommittee was adjourned.]

"Saving Taxpayer Dollars in Real Estate: Reducing the Government's Space Footprint"
Hearing before the Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management

Statement for the Record
Jason Chaffetz, Chairman, Committee on Oversight and Government Reform
June 16, 2015

Thank you Chairman Barletta, Ranking Member Carson and Members of the Subcommittee for holding this critically important hearing and for inviting me to testify on real property reform. Additionally, I would like to thank Chairman Shuster, of the full Committee, for his leadership in streamlining real property management to save the taxpayer dollars in real estate costs.

I would also like to thank my good friend and colleague, Mr. Denham, for his leadership on this issue over the past three Congresses. He is truly passionate about reducing the federal real estate footprint and I am proud to partner with him as we move towards real property reform.

I would also like to recognize Mr. Meadows, a Member of the Subcommittee and Chairman of the Oversight and Government Reform Committee Subcommittee on Government Operations, which shares in the jurisdiction with respect to federal property disposal.

With the national debt at over $18 trillion dollars and rising, we need to look for ways to make our government more efficient. The federal government is the largest single holder of real property in the United States, with more than 900,000 assets in its inventory, including 254,000 buildings. In 2010, 77,000 buildings were categorized as underutilized or vacant, costing the taxpayer $1.66 billion annually to maintain. The federal government can no longer foot the bill for vacant buildings and unneeded or underutilized properties. The legacy costs alone demand the federal government make smarter decisions.

Government property that serves no public good should be immediately returned to private ownership. There are properties within the federal real property portfolio which can be sold today to raise needed revenue. Sadly, the federal government has accumulated excess properties because it relies on a flawed disposal process. Reform to the archaic and byzantine rules for disposal is long overdue and greatly needed to remove these properties from the federal inventory. The fact that we continue to hold onto these surplus properties year after year is unacceptable and must stop.

Since 2003, the Government Accountability Office has designated federal real property management as a "high-risk" area for the federal government. In February, the Committee on Oversight and Government Reform received testimony from Comptroller General Gene Dodaro on GAO's 2015 High Risk List, describing the government's long-standing challenges in managing its real property. GAO continues to find that the federal government maintains too much excess and underutilized property, relies too heavily on leasing, faces challenges in protecting its facilities, and lacks reliable real property data.

Mr. Chairman, this is why we are here today – to work towards meaningful, bipartisan reform. The Oversight and Government Reform Committee is ready and willing to collaborate and cooperate with your Subcommittee and this Committee on real property reform legislation.

As we move down this path, I would like to share a few principles critical to achieving lasting reform.

First, we must "sell, sell, sell" – saving time and money that is needed elsewhere. We must cut the red tape and reduce the government's real estate footprint, streamlining the burdensome process to efficiently dispose of properties.

Second, we must bring transparency to the federal government's real estate portfolio. Making the Federal Real Property Profile publicly available will help ensure accountability and bring an end to agency land-banking at taxpayer expense. Reliable data is needed to make responsible investment decisions and make more efficient use of building space.

Third, we must learn from the private sector, incentivizing agencies to pursue the right business decision when managing their real property assets. Agencies must be allowed to retain a portion of real estate sale proceeds to fund future disposal activities, with appropriate checks and balances.

Finally, we must recognize the role of homeless service providers, strengthening their opportunity to take over usable buildings that expand their ability to provide vital services to our neighbors in need. Homeless service providers should have real-time access to information on prospective properties in their communities as they work to achieve their respective missions. Buildings that are not optimal for use by the homeless should be listed for sale more quickly.

Mr. Chairman, we have a unique opportunity– rarely do we find ourselves in a position where Republicans and Democrats; the House and the Senate; the Congress and the Administration, all agree: We own too much federal property and something must be done so that we can sell more if it. The fiscal challenges facing this country are deep and severe. Effective federal property management offers unique opportunities for the federal government to right-size its real estate portfolio, reduce costs, and achieve savings through the sale of unneeded properties. This is an opportunity that we cannot let go to waste.

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Testimony of David Mader
Controller, Office of Management and Budget
before the
House Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings and Emergency Management
June 16, 2015

Thank you, Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee, for the invitation to testify and update the Subcommittee on the changes we are implementing to improve the Government's real property management capability and the overall efficiency of the Federal real property portfolio.

Today, I would like to update you on the status of the initiatives that I outlined when I testified last July in front of the Subcommittee on Government Operations regarding the Administration's efforts to improve the management of the Governments' real property portfolio. Over the last eleven months, OMB has continued to implement actions that will dramatically improve and fundamentally transform the way the Federal Government manages its real property portfolio. Our vision for transforming real property management includes four core components. First, develop and implement a strategic framework guiding agencies' management of their real property portfolios over the next five years. Second, continue our work developing and implementing Government-wide performance metrics to identify efficiency opportunities at the agency level, and to assess the performance of individual agencies. Third, develop new management tools currently known as the Federal Real Property Profile (FRPP). These tools will enhance agencies' capability to analyze their portfolio data and identify opportunities to right-size and optimize their portfolios for effective mission delivery and cost efficiency. These new management tools will also enable agencies to improve the quality and usefulness of their FRPP data. And finally, fourth, and importantly, we believe limited modification to existing statutes can increase the pace and number of property disposals and decrease the amount of resources expended on maintaining excess and underutilized properties.

The President's FY 2016 Budget invests in our Federally-owned facilities to ensure that mission execution is optimized at the lowest possible cost, including $2.4 billion over the FY 2015 enacted level in support of critical construction and renovation projects as well as opportunities for consolidation in the Federal Buildings inventory.

I'm happy to report that we have completed or made significant progress on three of the four components over the last eight months. For example, OMB issued the National Real Property Strategy (National Strategy) on March 25, 2015. The National Strategy builds on past actions and results to define the strategic framework agencies' will use to manage their portfolios for efficiency gains. The framework will ***freeze*** growth in the inventory, ***measure*** performance and identify opportunities to improve efficiency and data quality to support data driven decision-making, and ultimately ***reduce*** the size of the inventory by prioritizing actions to consolidate, co-

locate, and dispose of properties. These three steps provide the context within which all agencies will manage their real property. Over time, the framework will improve the utilization of Government owned buildings, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the portfolio.

To implement the National Strategy, OMB issued new policy that provides a robust set of agency specific performance measures. The "Reduce the Footprint" (RTF) policy, issued on March 25, 2015, requires agencies to implement a five year planning process to reduce their real property portfolios. The RTF prioritizes the disposal of unneeded and inefficient properties by requiring agencies to set annual square foot disposal targets for all building types. The RTF reduction targets function as agency performance measures; when combined with the FY2014 benchmarking metrics developed under the President's Management Agenda, the Government will be armed with accountable performance measures to drive portfolio-wide efficiency and property disposals. Also, the RTF promotes efficiency in the acquisition of owned and leased space by requiring agencies to issue an office space design standard by February 2016, and to use this standard to design all new office space for efficiency improvements. This requirement will enhance portfolio efficiency as properties are disposed and replaced.

The third action required to transform management of Federal real property is the development of new management tools within the FRPP and improvement of FRPP data quality. We have made significant progress in creating the real property management tools I discussed in my July testimony. OMB has worked with GSA and the Federal Real Property Council to identify tools that support data driven decision-making. For example, the new tools will provide detailed data on properties' annual cost, location, size, and lease expiration, among other data elements, in a structured format that fully supports the ability of agency management teams to identify efficiency opportunities and to implement data driven decision-making. When fully implemented in the fourth quarter of FY2015, the system will provide agencies with greater management capability and insight into the efficiency and cost opportunities their portfolios present over the next five years. The new system will leverage improvements to the General Service Administration's (GSA) occupancy agreement (OA) database, which in FY2016 will fully identify succeeding OAs, expiring OAs, and other relevant data to enable agencies to track the size and location of their footprint more easily.

In developing all three of these actions we enjoyed open and fruitful discussion with the leadership and staff of the Government Accountability Office (GAO). We appreciate GAO's continued dialogue and focus on real property and its willingness to collaborate as we strive to meet our mutual goal of removing the high risk designation from the Federal real property program. In fact in the most recent GAO High Risk report they acknowledge the increased activity and leadership by OMB in this area.

The last component of our vision – potential modification to existing statutes – could increase the pace and number of properties disposed through sale, demolition, and public benefit conveyance. These modifications could include, but are not limited to, agency retention of some sale proceeds for reinvestment in additional disposals, expanded authority for GSA to support agencies' work to prepare properties for a declaration of "excess", and relief from some aspects of the public benefit conveyance process. Such changes could provide an important boost to agencies' disposal programs and achieve improved results for the taxpayer. We appreciate the

opportunity to work with this Congress on legislative modifications that support increased property disposal.

The first three components of our vision will be implemented by the end of FY2015. We believe these actions will significantly improve the management of real property and deliver efficiency gains over the next five years. The real property program has achieved results in FY2014, and we will continue to build upon this achievement. For example, Government-wide disposal of all domestic building types totaled 7,300 buildings and 47 million square feet of space in FY2014. These disposals reduced annual operation and maintenance costs by approximately $17 million. We also reduced the Freeze the Footprint (FTF) baseline by 11.2 million square feet in FY2014 on an agency by agency basis. This results builds upon the 10.2 million FTF square feet reduction we achieved in FY2013. So in two years we eliminated 21 million square feet of office and warehouse space.

I need to be clear on the results that we have achieved under the Freeze the Footprint (FTF) policy during the last two years. The policy was designed to freeze the size of agency portfolios by setting a baseline with FY2012 data. We have been pleasantly surprised to see that many agencies reduced the size of their portfolios over the last two years rather than simply maintaining them at FY2012 levels. On an agency by agency basis, as opposed to a Government-wide basis, the total baseline has decreased from 730.1 million square feet in FY2012 to 708.7 million square feet at the end of FY2014. These are significant reductions and they reduce the amount of funds expended to maintain the portfolio.

The FTF policy has been a significant step forward for the Government's management capability. The policy required agencies to manage to set portfolio baselines, required disposals of existing property to support new acquisitions, and required agencies to freeze their real property footprint by 2015. Overall, the FTF policy has provided value to the Federal Government's management of real property. In my July testimony, I also stated that we would estimate the cost reduction to the Government achieved through the freeze the footprint requirement. We have examined options for obtaining the cost reduction, including cost modeling, and have concluded the most robust and accurate method to obtain cost reduction is the collection of actual agency costs from individual projects. Beginning in FY 2016 and continuing in out-years, agencies will be required to report actual cost data based upon guidance developed by OMB and GSA in collaboration with the CFO Act agencies. It is important to note that real property projects require investment, and that cost reduction equals initial investment after a period of years. The GSA consolidation program, for example, requires cost reduction to equal initial investment no later than seven years after initial investment.

The real property program will also benefit from the fundamental changes we are making to the annual agency management reviews OMB performs. OMB conducts annual data-driven management reviews with agency leadership under the auspices of the Government Performance and Results Modernization Act of 2010, the PortfolioStat information technology review, and the benchmarking metric review initiated in FY2014 under the President's Management Agenda. These management reviews provide discussion to validate agency priorities, identify opportunities for performance improvement, and discuss agencies' strategies for improving their overall performance. Ultimately, these reviews provide a mechanism to bring together the key people, resources, and data analysis needed to drive progress.

We have built upon the successes of the annual management reviews by creating a comprehensive "FedStat" process to fully integrate the review of agency management processes and resource levels. This process will improve the operational efficiency and cost effectiveness of agency management functions by using data analysis to drive performance based decision-making and provides OMB and agencies a forum to conduct a comprehensive and structured annual discussion on the long-term strategic challenges that each agency confronts to more fully and effectively meet those challenges. This discussion provides value to all agencies' real property programs beginning now.

Our progress in the last year represents meaningful improvement to the Government's real property management capability. We expect additional, and significant, improvement as the National Strategy, Reduce the Footprint policy, enhanced FRPP management capability, and the Strategic Review process are fully implemented over the course of FY 2015. With the acknowledgement that there is a significant amount of work ahead to improve real property management, we are confident our strategy will yield results for the taxpayer. I appreciate the attention this Subcommittee dedicates to the improvement of Federal real property management, and I remain committed to achieving our mutual objective of a more effective and efficient real property program.

I must stress that in order for the Government to reduce its footprint, we require funding to make the necessary reconfigurations and relocations that will result in cost avoidance in future budget years. While we have made good progress, significant opportunities remain. One significant challenge has been the historically low levels of funding appropriated to the Federal Buildings Fund. The President's FY 2016 Budget restores GSA's authority to fully use incoming rent funds to construct new facilities such as the consolidated DHS HQ as well as maintain existing GSA Federal buildings that need major renovations and basic repairs and renovations. The GSA is leading the Federal effort to both invest in Federal facilities and consolidate space to reduce costs and optimize efficiency, saving tens of millions in annual lease costs. It is important to note, recent funding levels for GSA and other Federal landholding agencies have led to both facility deterioration as well as missed opportunities to consolidate and reduce operating costs.

We look forward to working with this Committee and other Committees in the Congress on legislation that will enable us to make even greater progress improving the efficiency of the Government-wide portfolio and accelerating the pace of property disposals over the next few years.

Thank you for the opportunity to testify today on this important topic. I look forward to answering your questions.

STATEMENT OF

MR. NORMAN DONG
COMMISSIONER, PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE HOUSE TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

June 16, 2016

Good morning Chairman Barletta, Ranking Member Carson, and members of the Committee. My name is Norman Dong, and I am the Commissioner of the U.S. General Services Administration's (GSA) Public Buildings Service. Thank you for inviting me to this hearing on federal real property reform.

GSA's mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. To meet this mission, GSA is working with Federal agencies to improve space utilization, reduce real estate costs, and deliver space that allows our partner Federal agencies to better achieve their missions. Additionally, we are working with the Office of Management and Budget (OMB) and the Federal Real Property Council (FRPC) to improve the Federal government's inventory system of real property, and disposing of unneeded assets and identifying opportunities to better use underperforming properties.

GSA manages one of the largest and most diversified public real estate organizations in the world. Its portfolio consists of 376.9 million rentable square feet (RSF) in 8,721 active assets across the United States, in all 50 states, six U.S. territories, and the District of Columbia (DC). By RSF, the owned inventory constitutes 49 percent of the portfolio and the leased inventory is 51 percent of the total.

The goal of GSA's real estate strategy is meeting the real property requirements of our Federal tenants at the lowest cost to the taxpayer. By analyzing long-term Federal requirements and local market dynamics across the country, we are identifying Federally-owned buildings for long-term investment, as well as buildings that may have a higher and better use outside of the Federal government through disposal, exchange, or outlease.

The bottom line is we are working to spend less on real estate so the government can devote more of the limited dollars on mission critical activities to serve the American people.

To accomplish this goal, GSA is focusing on five key priorities:

- First, GSA is working closely with Federal agencies to consolidate space and reduce the square footage per employee.
- Second, GSA is reforming our approach to leasing to save time and money.
- Third, GSA is aggressively disposing of unneeded assets.
- Fourth, GSA is leveraging exchange and out-leasing authorities to harness the value of our federal assets.
- Finally, GSA is supporting OMB in implementation of the Administration's National Strategy for the Efficient Use of Real Property to improve government-wide federal property management.

Partnering with Federal Agencies to Reduce the Federal Footprint and Save Taxpayer Money

At GSA, we recognize that excess spending on real property comes at the expense of more mission critical activities. To help federal agencies identify opportunities to save money through consolidation and space reduction, GSA actively engages with agencies through upfront planning; modernization of workspaces; innovative solutions for fit-out, technology, and mobility; and rightsizing their portfolios. Beyond saving money, these space-saving solutions also advance agency mission by creating more efficient workspaces that encourage collaboration and increase productivity.

These efforts have paid off with a number of successes that have helped reduce the government's long-term real estate costs.

In Fiscal Year 2014, Congress provided $70 million for GSA consolidation projects. Using these funds, GSA is executing 20 projects in 10 states across the country that will reduce the Federal footprint by 571,000 square feet and reduce the government's leasing costs by $40 million annually. Congress again provided $70 million for consolidation projects in FY2015, and GSA is currently pursuing eight projects with a total investment of $38 million that will allow the government to avoid $8.7 million in future annual leasing costs and reduce the Federal footprint by 247,899 square feet. We anticipate identifying additional projects in the coming weeks which will reduce future annual lease payments and square footage. In Fiscal

Year 2016, the Administration is requesting an increase to $200 million for consolidation projects, based on the positive return on investment these projects have generated in FY2014 and FY2015.

An example demonstrates how effective these projects have been. In Minneapolis, GSA partnered with the Department of Housing and Urban Development to reconfigure the Minneapolis Federal Building. With an investment of $1.7 million, HUD was able to move out of leased space, saving the Federal government $700,000 in annual lease costs and reducing the footprint by over 9,000 square feet.

Reforming our Approach to Leasing

GSA is currently focused on reforming our leasing program to reduce costs by improving long-range planning, maximizing competition, and increasing utilization. While we are reducing our reliance on leasing, the fact is that a sound property management strategy necessarily involves leasing: sometimes it is more cost effective to lease than to own, and some short term leases may be required as we consolidate and co-locate agencies in reduced space arrangements.

While there has been a significant focus on reducing the footprint, the cost of that footprint is just as important. To get the best deal for federal agencies and the American taxpayer, GSA is:

- Broadening the delineated area for leases in order to increase competition in our lease procurements;
- Extending lease terms to 10 years or longer, whenever feasible, because longer terms typically mean lower annual costs;
- Simplifying space requirements to allow for greater competition and more favorable rates; and
- Beginning the lease acquisition process at least 36 months before the expiration date to ensure a fully competitive procurement while avoiding costly holdovers and extensions.

Reducing holdovers and extensions is a particular focus in GSA's reform efforts. History shows that we pay a premium – as much as 20 percent – when we go into a holdover or extension due to the lack of market competition in these arrangements. To avoid this, we are working with our partner agencies on better long-range planning. Our goal is to develop requirements 36 months prior to lease expiration, and to issue lease advertisements 18 months prior to expiration. In implementing this long-range planning, we are starting to see results. By the end of FY2014, we had only 97 leases in holdover out of a total of more than 8,700 leases. This represents the lowest year-end figure since 2007.

And, just as with managing space in our owned assets, we also work with our federal partners to maximize utilization of leased space including through new workspace arrangements and mobile work strategies.

Disposal of Unneeded Assets

GSA aggressively disposes of our unneeded assets and provides assistance to other Federal agencies to more effectively utilize their properties, including through the identification and disposal of vacant and excess properties.

GSA disposes of its own unneeded properties, and also assists other federal agencies in disposing of their excess and underutilized properties. Partnering with other federal agencies, in FY2014, GSA worked to dispose of 342 properties government wide, generating $42.7 million in proceeds. The bulk of the disposals were executed through public sales (280 disposals). Other property disposals involved negotiated sales (13), public benefit conveyances (44), and federal transfers (5). And in FY2015, GSA is on track to achieve its performance goal of reducing the federal inventory by three million rentable square feet. A recent example of a disposal in Seattle demonstrates how GSA can help unlock the value of a property that was previously a liability. In February of this year, the Federal Reserve Building in Seattle sold for $16 million at online auction with eight bidders competing. The building, constructed in 1950, was transferred to GSA in 2012. After analyzing options to retrofit the building, GSA concluded to sell the building and negotiated a sale that protects the historic integrity of the asset while still allowing for the developer to renovate the facility.

GSA also can accomplish successful property disposals in recovering markets such as Romulus, Michigan. A 137,600 square foot industrial distribution building formerly utilized as a U.S. Post Office Priority Mail Center stood vacant on a 10-acre site. Built in 1978, this eyesore was costing taxpayer money in maintenance and was a liability to the community. Last year, the property sold in an auction with a sales price of $3,100,000. Hopefully the new owner can restore the property and allow it to better serve the community.

Leveraging GSA's Exchange and Outlease Authority

GSA is leveraging our disposal and exchange authorities to harness the value of our federal assets. Some of the government's properties, in particular those that are older, may no longer effectively serve a federal need and can have significant upkeep and maintenance costs. At the same time, many of these facilities are valuable for other uses, especially when they are located in prime real estate locations.

For example, the Volpe Transportation Center in Cambridge, Massachusetts is located on 14 acres in a vibrant high-technology hub of the city. The six buildings on the property were constructed nearly 50 years ago and no longer adequately serve the mission of this facility.

Last year, GSA issued a Request for Information seeking creative ideas to transform this property in exchange for construction services for building a state of the art research technology facility. The response to the RFI was robust and GSA believes the interest in the site will fuel healthy competition in proposals for the site. The ultimate result of this exchange is expected to provide better space for government transportation research, as well as economic development opportunities and tax revenues for the local community.

In Southwest DC, GSA is leveraging the value of several buildings to fund new, highly efficient space for the agencies currently housed at those locations. Similar to the Volpe site, GSA is seeking developers who can provide construction and development services in exchange for GSA's Regional Office Building and the Cotton Annex. These services would be used to help consolidate about 1,500 regional GSA staff into the GSA headquarters office and renovate up to three historic buildings at the St. Elizabeths campus in Southeast Washington for the Department of Homeland Security.

Another example of GSA's innovative approach is the long-term lease of the Old Post Office Building in Washington, DC to the Trump Organization, which is transforming this high-value property into a luxury hotel that, once opened, will generate a positive cash flow for the government. The Trump organization is investing $200 million in private sector capital into this 114-year old building, which will serve the local community, preserve the historic facility, and generate lease revenues.

Supporting Implementation of the Administration's National Strategy for the Efficient Use of Real Property

GSA supports the Administration's National Strategy for the Efficient Use of Real Property to reduce the size of the federal real estate inventory. This summer, GSA will be working with OMB to review the agency Reduce the Footprint plans. Through this effort, we will identify additional opportunities for colocation, consolidation, and reduction of space. This also will include the development of a government-wide pipeline of potential properties for disposition, exchange or outlease to meet the objectives of this policy.

In addition, GSA is creating and implementing enhanced analytical tools to help agencies identify the best opportunities for disposal, consolidation, and colocation. In addition, GSA has improved data quality and user experience in the Federal Real Property Profile, by has revising several data definitions and automating validation and verification tools. In FY2015, GSA will make additional improvements that will enable agencies to better prioritize actions to consolidate, co-locate and dispose of federal properties. The bottom line is that having the right data and management tools is essential to making good decisions.

Conclusion

In closing, I look forward to working with the Members and staff of this committee to improve the Federal government's management of its real property. In particular, I welcome the opportunity to work with you and offer GSA's support as the Committee works through any potential legislative efforts. We believe there are a number of opportunities to improve asset management across government, including through streamlining the disposal process, authorizing the retention of some sale proceeds, and supporting the investment of rent collections for capital improvements.

I thank the committee for the opportunity to testify today and look forward to answering your questions.

United States Government Accountability Office

GAO

Testimony
Subcommittee on Economic Development, Public Buildings, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives

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FEDERAL REAL PROPERTY

Continued Efforts, Legislation, and Implementing GAO Recommendations Could Address Challenges

Statement of Dave Wise,
Director, Physical Infrastructure Issues

GAO-15-689T

GAO Highlights

Highlights of GAO-15-689T, a testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management, House of Representatives

June 2015

FEDERAL REAL PROPERTY

Continued Efforts, Legislation, and Implementing GAO Recommendations Could Address Challenges

Why GAO Did This Study

The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. GAO added federal real property management to its High-Risk List in 2003 because the government retained more property than it needed, relied on leasing in cases where ownership would cost less, and lacked reliable real property data to support decision making. Since then, the government has given high-level attention to the issue, including establishing FRPP to track federal buildings and structures government wide. However, in 2012, GAO found that the federal government did not follow sound data collection practices in designing and maintaining the FRPP, thereby limiting its usefulness for supporting sound decision making. This statement focuses on (1) executive and legislative efforts to reform federal real property management, (2) the extent to which real property management challenges remain, and (3) steps that could help the government address management challenges.

This statement draws from previously issued GAO reports from June 2012 to February 2015 and recent interviews with OMB and GSA officials.

View GAO-15-689T. For more information, contact Dave Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

In recent years, the federal government has taken steps to improve the management of its real property. Recent reform efforts include two from the Office of Management and Budget (OMB):

- The 2012 "Freeze the Footprint" policy, which instructed agencies to keep the total square footage of their domestic office and warehouse inventory at a baseline level established using the Federal Real Property Profile (FRPP)—a governmentwide database of federal real property.
- The 2015 "National Strategy for the Efficient Use of Real Property" and a similarly named "Reduce the Footprint" policy. The policy requires executive branch agencies to finalize plans by September 2015 for setting annual space reduction targets and office-space use standards.

In addition, several reform bills introduced in recent years could help address certain real property management challenges; however, none have been enacted. For example, the Excess Federal Building and Property Disposal Act would have created a pilot project for expedited disposal of a limited number of high value properties through public auction, and the Civilian Property Realignment Act would have addressed competing stakeholder interests in real property management by establishing an independent commission to group all disposal and consolidation recommendations into one proposal.

Despite these efforts, federal real property management remains on GAO's High-Risk List because several key underlying challenges remain. The government continues to retain excess and underutilized property, rely on leasing when ownership would be less costly, and utilize unreliable data for its property-related decision making. For example, GAO found in 2014 that agencies do not apply a consistent definition for warehouse utilization, limiting the FRPP data's usefulness.

The path forward will include a multipronged approach including implementing OMB's National Strategy and improvements to the reliability of real property data, possible legislation to address certain challenges, and implementation of GAO's prior recommendations related to real property management. Key recommendations that GAO has made to the General Services Administration (GSA) in recent years that have not been fully implemented include:

- taking specific steps to improve the reliability and usefulness of FRPP as a decision-making tool for GSA and landholding agencies;
- developing a 5-year capital plan to more fully consider and document investment choices and discuss priorities;
- prioritizing long-term ownership solutions for current high-value leases; and
- articulating a clear strategy for GSA's role in promoting effective and efficient practices in federal warehouse management throughout the government.

Implementing these recommendations would increase the federal government's capacity to manage its portfolio and document the progress of its reform efforts.

Chairman Barletta, Ranking Member Carson, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on how the federal government's real property management practices could be improved. The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. This portfolio is comprised of hundreds of thousands of buildings—such as office buildings, storage warehouses, courthouses, hospitals, and laboratories—and a similar number of permanent structures—such as roads, dams, and parking garages—across the country. In 2003, we added "Federal Real Property Management" to our biennial high-risk list because the federal government retains more property than it needs, relies on leasing in cases where ownership would be more cost effective in the long run, and lacks reliable real property data to support decision making.[1] In 2004, the President issued Executive Order 13327 establishing the Federal Real Property Council (FRPC), requiring it to work with the General Services Administration (GSA) to establish and maintain a single, comprehensive real property database.[2] This database was intended to describe the nature, use, and extent of all real property under the custody and control of executive branch agencies in order to promote the efficient and economical use of the nation's real property assets and assure management accountability for implementing reforms. The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began collecting data in 2005. However, in a 2012 report,[3] we found that the federal government did not follow sound data collection practices in designing and maintaining the FRPP, raising concern that the database was not a useful tool for describing the nature,

[1]GAO, *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

[2]Federal Real Property Asset Management, Exec. Order No.13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to executive branch agencies listed at 31 U.S.C. §901(b); the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; GSA; the National Science Foundation; the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

[3]GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 2012).

use, and extent of excess and underutilized federal real property, thus limiting its usefulness to agency officials charged with making management decisions.

For this hearing, you asked us to discuss why federal real property management is on the high-risk list and potential executive and legislative actions that could address longstanding challenges. My testimony today focuses on (1) recent executive and legislative branch efforts to reform federal real property management, (2) the extent to which real property management challenges remain, and (3) steps that could help the government address management challenges. My remarks today are based primarily on GAO reports and testimonies, issued between June 2012 and February 2015, including the 2015 update to our High-Risk Series. We also interviewed Office of Management and Budget (OMB) and GSA staff to obtain updated information on federal efforts to improve real property management and address existing GAO recommendations. More detailed information about the scope and methodology of our prior work can be found in the reports listed at the end of this statement. We conducted the work this testimony is based on in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Administration and Congress Have Taken Recent Steps to Reform Real Property Management

Executive Action

Since federal real property management was placed on GAO's High-Risk List, the government has given the issue high-level attention. In 2012, OMB introduced the "Freeze the Footprint" policy, instructing agencies to not increase the total square footage of their domestic office and

warehouse inventory compared to their FRPP baseline for fiscal year 2012.

In 2015, OMB issued its "National Strategy for the Efficient Use of Real Property" and its "Reduce the Footprint" policy. The Reduce the Footprint policy requires agencies to (1) set annual square foot reduction targets for domestic federal buildings; and (2) adopt space design standards to optimize federal domestic office space usage. The National Strategy states that its goals are to (1) freeze growth in the real property portfolio; (2) measure performance to support more efficient use; and (3) reduce the size of the portfolio through asset consolidation, co-location, and disposal. The Reduce the Footprint policy requires that agencies submit their final plan to OMB by September 2015. Each agency's plan is to include descriptions of the internal controls to be used to comply with the policy, use of performance benchmarks and reduction targets for office and warehouse space, and documentation of cost reductions generated.

Legislation

Since 2011, there have been several real property reform bills introduced in Congress that addressed challenges outside of federal agency control, such as the property disposal process and competing stakeholder interest in real property management. For example, the Excess Federal Building and Property Disposal Act would have created a pilot project for expedited disposal of a limited number of high value properties through public auction.[4] In addition, the Civilian Property Realignment Act was developed to establish a framework to address the underlying challenge of competing stakeholder interests by establishing an independent board to streamline the disposal process and group all disposal and consolidation recommendations into one proposal for Congress to consider in its entirety.[5] Although both bills passed the House of Representatives in 2012, neither one was enacted.

Federal Real Property Management Challenges Remain

[4]H.R. 665, 112th Cong. (2011).

[5]H.R. 1734, 112th Cong. (2011).

Excess and underutilized property

Despite previous and current administrations' efforts to reduce excess and underutilized properties, our recent work has demonstrated that significant real property management challenges remain. The government continues to hold on to more real property than it needs. Retaining unneeded real property results in operational, maintenance, and security costs which could otherwise be directed to other uses. In July 2014, the Administration released the first year results of the Freeze the Footprint policy, indicating that it reduced the federal government's office and warehouse space between fiscal years 2012 and 2013—exceeding its expectations. However, in our 2015 report, we found that the data behind these results were unreliable, resulting in a potential overstatement of the progress made to date in reducing the federal government's real property footprint. Specifically, we examined data from four of the six agencies claiming the largest reductions in the first year of implementation of the Freeze the Footprint policy and found that the actual space reductions at all four were overstated.

- At least one of the two largest reported space reductions for each of the four selected agencies was either overstated or did not represent a reduction in square footage at all.
- Some of the largest reported space reductions were due simply to the timing of the fiscal year 2012 baseline for reporting.
- Some reported space reductions represented data errors or re-measurements of space, not actual reductions.
- Some properties credited as having been disposed of by agencies were simply returned to GSA and remained part of the existing federal inventory.

Further, we also reported in 2015 that according to agency officials, some of the space reductions achieved in the first year of the Freeze the Footprint policy were the result of efforts underway before the policy began. Although not directly attributable to the Freeze the Footprint policy, such reductions did represent progress in reducing excess and underutilized space. In addition, officials at the four agencies noted that the policy served as an incentive to reduce office and warehouse space going forward.

Costly Leasing

The federal government continues to rely heavily on leasing of properties where it would be more cost effective in the long run for the federal government to own. In our February 2015 High-Risk update, we reported that the federal government has taken steps to limit the federal real property footprint by trying to consolidate high-value leases and smaller

leases as they expire, moving some high-value leases into government-owned space, and helping agencies use space more efficiently.[6] However, we also reported that GSA lacked an action plan and transparent data to demonstrate progress in achieving this goal. In 2013, we found that high-value leases accounted for over one-third of GSA's annual rent paid to private sector landlords and more than a quarter of the total lease square feet while representing just 3 percent of GSA leases.[7] GSA, however, had not yet determined which of those leases would be the best candidates for ownership investments. We made recommendations to GSA that we discuss later in this statement.

Data reliability

Despite ongoing efforts to improve the reliability and usefulness of real property data, the federal government continues to face challenges with the accuracy and consistency of the FRPP. Consistent and accurate data are necessary in order for managers to effectively manage real property. In 2012 we reported that FRPP data did not consistently describe excess and underutilized federal real properties accurately.[8] While the government has taken some steps to improve FRPP, additional improvements are needed. Specifically, since the 2012 report, we have identified additional areas of weaknesses in FRPP data related to space reductions reported by agencies, maintenance needs, the utilization of warehouse space, and how agencies track structures. For example, in our November 2014 report,[9] we found that agencies do not apply a consistent definition for warehouse utilization, limiting the data's usefulness (See Figure 1). We made recommendations to GSA that we discuss later in this statement.

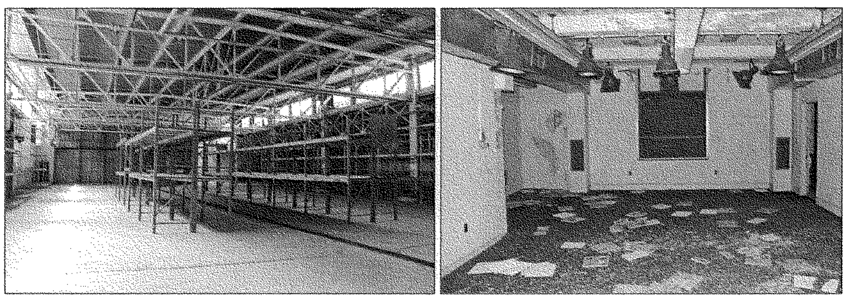
[6]GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: February 2015).

[7]GAO, *Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases*, GAO-13-744 (Washington, D.C.: September 2013).

[8]GAO-12-645.

[9]GAO, *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, GAO-15-41 (Washington, D.C.: November 2014).

Figure 1: Vacant GSA Warehouses Identified as Active and Utilized in the FRPP. Warehouses in Washington, D.C., Have Been Vacant Since 2009 (left) and 2004 (right)



Source: GAO. | GAO-15-689T

Implementing GAO Recommendations Would Increase Agencies' Capacity to Manage Real Property and Document Progress

We believe that the path forward is comprised of three important steps, two of which I have already discussed. First, the implementation of OMB's new National Strategy and the related efforts are critical. Second, legislation could help address some of the challenges facing the management of federal real property where Congressional action is needed, such as the property disposal process and competing stakeholder interests. Finally, in recent years, we have made a number of recommendations to GSA that, if implemented, would increase the federal government's capacity to manage its portfolio and document the progress of its reform efforts. Some of our priority recommendations that have not been fully implemented include:

- In a June 2012 report,[10] we recommended that GSA take four specific steps to make the FRPP database a better decision-making tool.
  - Ensure that all data collection requirements are clearly defined and that data reported are consistent across agencies.

[10]GAO-12-645.

- Design and utilize performance measures to assess the extent to which the federal government makes efficient and economical use of its real property assets.
- Reduce the data collection burden on federal agencies by limiting the number of measures to those that are deemed essential.
- Report on the data it collects.

GSA agreed with our recommendation and is implementing measures in FRPP for fiscal year 2015 aimed at improving its reliability and usefulness. This effort continues to be a work in progress.

- In July 2012, we recommended that GSA develop a 5-year capital plan to help ensure that long-term goals are fully considered and documented when making decisions to fund capital projects.[11] We recommended that, to enhance transparency, allow for more informed decision making related to GSA's real property priorities, and make a stronger case for its capital investment priorities, GSA should develop and publish a comprehensive 5-year capital plan. Although GSA agreed with this recommendation, officials told us that the unstable budget environment of recent years has limited the agency's ability to develop such a plan.
- In a September 2013 report, we recommended that GSA articulate a better case for increasing federal investments in real property ownership when it is more cost effective than leasing.[12] Specifically, we recommended that GSA should develop and use clear criteria to rank and prioritize potential long-term ownership solutions for current high-value leases among other capital investments and use this ranking to create a long-term, cross-agency strategy that facilitates prioritizing targeted ownership investments. GSA agreed with this recommendation and we believe it could use OMB's newly issued National Strategy as a tool to implement needed steps.
- In November 2014, we recommended that GSA develop a clear strategy to manage the federal government's warehouse portfolio, including developing and disseminating management guidance, promoting lessons learned and best practices, and leading agencies

[11]GAO, *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, GAO-12-646 (Washington, D.C.: July 2012).

[12]GAO-13-744.

as they assess their warehouse portfolios.[13] GSA agreed with the recommendation and is developing property guidance and research on best practices in warehouse and inventory management.

We will continue to monitor the implementation of these and our other real property recommendations.

Chairman Barletta, Ranking Member Carson, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Keith Cunningham (Assistant Director), Alex Lawrence, Mary Pitts, Crystal Wesco, and Chad Williams.

[13] GAO-15-41.

Related GAO Reports

GAO, High-Risk Series: An Update, GAO-15-290 (Washington, D.C.: February 2015).

GAO, Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio, GAO-15-41 (Washington, D.C.: November 2014).

GAO, Capital Financing: Alternative Approaches to Budgeting for Federal Real Property, GAO-14-239 (Washington, D.C.: March 2014).

GAO, Federal Real Property: Actions Needed to Improve How Agencies Manage Structures, GAO-14-87 (Washington, D.C.: January 2014).

Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent, GAO-14-12 (Washington, D.C.: October 2013).

GAO, Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program, GAO-14-739 (Washington, D.C.: September 2014).

GAO, Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases, GAO-13-744 (Washington, D.C.: September 2013).

GAO, Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities, GAO-12-646 (Washington, D.C.: July 2012).

GAO, Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property, GAO-12-645 (Washington, D.C.: June 2012).

GAO, High-Risk Series: Federal Real Property, GAO-03-122 (Washington, D.C.: January 2003).

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Written Statement of Maria Foscarinis
Executive Director
National Law Center on Homelessness & Poverty

Hearing on

"Saving Taxpayer Dollars in Federal Real Estate: Reducing the Government's Space Footprint"

United States House of Representatives,
Committee on Transportation & Infrastructure,
Subcommittee on Economic Development, Public Buildings
and Emergency Management

June 16, 2015

Testimony of Maria Foscarinis
Executive Director
National Law Center on Homelessness & Poverty

"Saving Taxpayer Dollars in Federal Real Estate: Reducing the Government's Space Footprint"

June 16, 2015

Chairman Barletta, Ranking Member Carson, members of the subcommittee: thank you for the opportunity to testify today. My name is Maria Foscarinis. I am the founder and Executive Director of the National Law Center on Homelessness & Poverty.

The National Law Center on Homelessness & Poverty (the "Law Center") is the only national legal organization dedicated to using the power of the law to advocate the legal rights of homeless and economically vulnerable Americans. Since 1989, Law Center attorneys have worked through state and federal courts to expand access to affordable housing, meet the immediate and long-term needs of those who are homeless or at risk of becoming homeless, and strengthen the social safety-net.

In addition to our efforts through the courts, the Law Centers operates a wide variety of programs across the country that serve the more than 3.5 million Americans; provides training and technical support for local and national homelessness assistance groups; and advocates for federal, state, and local policies to support homeless Americans.

Through this work, and together with a wide variety of partners throughout the country, we have been fortunate to achieve significant progress in meeting the needs of those who are homeless or at risk of becoming homeless, while addressing the root causes of homelessness. As a result of our efforts, we have succeeded in reducing barriers to access to school for homeless children in states including Pennsylvania, New York, Michigan and here in the District of Columbia. Similarly, we have worked to strengthen legal protections to prevent domestic violence victims and their children from having to choose between abuse and homelessness to cover over 4 million additional households. And we have helped to end laws that criminally punish homeless people for their status in cities like Boise, Minneapolis, Gainesville and DeLand, Florida.

There is much work, however, still to be done. According to most recent Annual Homeless Assessment Report to Congress by the U.S. Department of Housing and Urban Development ("HUD"), more than half a million Americans experience homelessness on any given night. Of this total, nearly 40% of Americans experience homelessness as a family. As a result, nearly one-quarter of all homeless Americans were children under the age of 18, with an additional 10% between the ages of 18 and 24. Finally, although sustained efforts across the country have meaningfully reduced the number of homeless veterans in recent years, nearly 50,000 of American veterans are currently homeless.

Homelessness remains a national crisis affecting too many men, women and children in communities across the country. Along with our many partners, the National Law Center for

Homelessness & Poverty will continue to work to strengthen programs designed to assist these most vulnerable Americans.

With this as background, and as this subcommittee considers proposals to encourage the disposal of federal real property, my testimony today will focus on a key federal program designed to assist homeless Americans – Title V of the McKinney-Vento Homeless Assistance Act.

Faced with a growing homelessness crisis in the late 1980s, President Reagan signed the McKinney-Vento Act into law in 1987. In the McKinney-Vento Act, Congress explicitly recognized that "the Federal Government has a clear responsibility and an existing capacity to fulfill a more effective and responsible role to meet the basic human needs and to engender respect for the human dignity of the homeless." The McKinney-Vento Act was intended to expand and coordinate federal resources and programs to address the "critically urgent needs" of homeless Americans.

The Title V surplus federal property program is central to this overarching mission. Pursuant to Title V, HUD is responsible for leading a cross-agency effort to identify and make available unneeded federal properties suitable for use by homeless assistance organizations. Once these properties are identified, homeless service providers have a right of first refusal to acquire – at no cost – excess federal real property to assist the homeless.

Since the program's inception, homeless service providers and local government agencies have acquired and used surplus federal property to provide meals, shelter, job training, childcare, medical care, substance abuse and mental health treatment for homeless Americans throughout the country. Each year, more than 2.4 million Americans receive assistance through Title V, which has provided access to nearly 500 properties – like the New England Center for Homeless Veterans in Boston, which serves over 1000 vets per year; Building Bridges in West Chester, Pennsylvania, which provides supportive housing for homeless families and serves up to 400 people at a time; and Liberty House in Phoenixville, Pennsylvania, a supportive residential facility for 48 mentally ill homeless persons that has operated for nearly two decades.

Title V is a proven vehicle for assisting America's homeless with no cost to taxpayers. In fact, in light of the focus of today's hearing, I want to emphasize that the disposal of federal property under Title V *saves* taxpayer dollars by reducing operations and maintenance costs associated with unused and unneeded federal properties.

Unfortunately, despite the ongoing success of the Title V program, the Law Center has identified a number of challenges that prevent federal landholding agencies from meeting their responsibilities under the law.

Most notably, as this subcommittee well knows, landholding agencies are all too willing to retain unused, unneeded, or otherwise underutilized properties for which there is no obvious public need. For example, while the Office of Management and Budget estimated in 2011 that there federal agencies held nearly 100,000 excess or underutilized properties, this total represented more than three times the number of *total* properties identified as such under Title V in the 16 years prior to 2011. With this in mind, the Law Center has worked for over two decades to push

federal agencies to identify all unneeded and underutilized properties eligible for disposal under Title V.

As an element of this ongoing effort to combat landbanking, the Law Center has pursued successful litigation in the U.S. District Court for the District of Columbia to require HUD and the General Services Administration to follow the law Congress enacted, and work with landholding agencies to identify surplus properties. Going forward, we are committed to pursuing all available avenues to ensure that federal agencies do not continue to hoard surplus property that could be put to better use to improve the lives of homeless individuals and families.

So, I can say with certainty that the Law Center understands this Subcommittee's concern that far too many surplus federal properties continue to languish. Likewise, we share your goal of streamlining the disposal of unused and unneeded federal properties. Congress should ensure that surplus properties are put to better, more productive use while reducing costs to taxpayers.

As we work together towards this common goal, the Title V process must continue to be a part of the federal property disposal process. Title V is not the cause of delays in the federal property disposal process. In fact, only those properties deemed by HUD as suitable for use to provide homelessness assistance are available for applications from homeless service providers. For this subset of surplus properties, the Title V process takes only a few months to complete.

The Law Center appreciates the need to balance the government's interest in disposing of its unutilized real property efficiently with the imperative to serve the homeless. Indeed, we have worked consistently with Congress, HUD, and other federal agencies to improve and streamline Title V.

Most recently, we have worked with this subcommittee, with Chairman Chaffetz and Ranking Member Cummings on the House Oversight and Government Reform Committee, and other interested offices to identify opportunities to strengthen the Title V program by retaining the core of the current statutory balance while making the entire process more efficient. The goal in these recommendations is not simply to increase the number of properties made available under Title V. Instead, the goal is to increase the availability under Title V of properties that would be most useful for homeless assistance.

Although this work is still underway, I would like to highlight a number of areas that the Law Center believes represent opportunities to improve the Title V program and save taxpayer dollars by disposing of property in a faster and more efficient manner.

First, under current law, federal agencies are permitted to hold onto property that is unused or underutilized for long periods of time, sometimes years. Although ongoing maintenance costs and other expenses related to these properties cost taxpayers money, the law permits agencies to keep those properties indefinitely provided they identify an ongoing governmental need for each property.

As an example of this phenomenon, in its Real Property Cost Savings and Innovation Plan, the General Services Administration described the majority of its underutilized and unutilized assets as not surplus, but instead as "long term holds" that are undergoing a "temporary vacancy."

To ensure that federal agencies dispose of property that is truly surplus, federal law should require agencies to make unutilized, underutilized, excess, and surplus property available for homeless use once it has been vacant or unused for one year. This time limitation should apply both to the unutilized, underutilized, excess, and surplus buildings as well as the land upon which those buildings sit.

Further, to ensure that landholding agencies are not withholding surplus property for no good reason, where an agency determines that there exists a compelling need to retain property suitable for disposal under Title V, the agency should be required to submit a formal, written determination of such need to HUD. These determinations should in turn be available for review by the general public.

Second, the current process by which homeless service providers apply to obtain Title V-eligible properties is unnecessarily lengthy and inefficient. As a result of the current structure, meritorious applications submitted by well-established homeless assistance providers have been denied.

To ensure that the Title V application process is both efficient and fair, Congress should consider a more streamlined, bifurcated application process. Under such a process, applicants may be required first to submit key programmatic information – including the services to be offered, the need for those services, and the applicant's experience and ability to provide those services. Only after this initial application is approved would applicants be required to submit detailed financial and budgeting materials that often constitute the most complex aspects of a Title V application.

Overall, these changes could be implemented such that federal real property for which there will not be a homeless services application will be available for sale more quickly, and those for which there is an application will be considered more efficiently.

Finally, Congress should consider reducing unnecessary bureaucratic redundancy to simplify the Title V application process. As the federal agency most directly responsible for overseeing programs to assist the nation's homeless, HUD is responsible for the majority of the Title V process. However, under current law, the Department of Health and Human Services is responsible for reviewing and approving applications from homeless assistance providers to obtain Title V property for use in serving the homeless.

As a result, and because much of the information included in these applications is held by HUD, the application process often requires providers to work through two separate bureaucracies just to submit a complete application. This bureaucratic inefficiency is compounded by having HHS make determinations about service to the homeless, which falls more naturally under HUD's jurisdiction and expertise. To simplify the application process, and save taxpayer dollars,

Congress should consider transferring the role that HHS currently plays in the Title V process back to HUD.

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At the Law Center, we believe that the right to a home and food lie at the heart of human dignity and we envision a world where no one has to go without the basics of human survival. Title V is a critical element of this vision, and I urge this subcommittee to work together to ensure that any proposed modifications to federal property disposal programs preserve and enhance this essential program.

Thank you for inviting me to testify today. I look forward to your questions.